DOCUMENT RESUME

ED 144 234 EA 009 945

TITLE	Legislative Control of State Finance.
INSTITUTION	Illinois Economic and Fiscal Commission, Springfield.
PUB DATE	May 77
NOTE	163p.; Appendixes may not reproduce clearly due to small print size
EDRS PRICE	MF-$0.83 HC-$8.69 Plus Postage.
DESCRIPTORS	*Accountability; Accounting; Budgeting; Decision Making; *Finance Reform; *Financial Policy; State Agencies; *State Aid; State Federal Aid; *State Government; State Legislation
IDENTIFIERS	*Illinois

ABSTRACT

This study examines the Illinois General Assembly's role in state finance and focuses on how the legislature can best control the scope and limits of state finance. The report is divided into four sections. The first section introduces the language of the appropriations process and the techniques of control applied to that process. The second section describes some recent problems of control facing the legislature (federal aid, nonappropriated funds, public funds, and the universities) and legislative attempts at resolution. The next section explains in detail several suggestions to change the techniques of control available to the General Assembly (timing of budget action, budget documents and appropriations bills, appropriation criteria, and capital budgeting). The last section examines the kind of controls available to the General Assembly after appropriations decisions are made (expenditure review and expenditure processes). Following the text are a number of appendixes that contain documentation of findings or more complete information on some issues. (Author/MLF)

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LEGISLATIVE CONTROL OF STATE FINANCE

MAY 1977

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LEGISLATIVE CONTROL OF STATE FINANCE

SUMMARY

In April, 1975, the Illinois Economic and Fiscal Commission (IEFC) pursuant to its statutory responsibility to conduct studies and to make recommendations "intended to improve the functioning of State government," directed its staff to examine the General Assembly's role in State finance. This study focuses on how the legislature can best control the scope and limits of State finance, particularly State spending.

Conclusions and recommendations in this report are those of the Illinois Economic and Fiscal Commission.

The IEFC staff asked three questions in the course of this study:

(1) What can be done to enhance legislative control and oversight of public finance?

(2) What options are available in the decision making process to enhance control and oversight?

(3) How would changes affect the decisions and policies that are the final products of a legislature?

The answers to these questions profoundly influence the way a legislature carries out its responsibility to determine the functions of government and to make appropriations to carry out these functions.

Introduction to Legislative Controls (Chapter II)

The General Assembly applies specific *techniques of control* within a broad *context of control* (pp. 4-5).

The context of control is the set of legislatively and constitutionally determined practices and procedures for receiving, obligating, spending, holding, and accounting for public funds.

The techniques of control encompass the formal and informal methods the General Assembly uses to promote accountability. A formal technique of control is to require agencies to justify their continued funding as well as the need for increases during appropriations hearings. Another technique is legislative oversight, reviewing what agencies have done with their appropriations. Each of these techniques is directed specifically at influencing agency behavior through control of the purse strings (p. 5).

State Special Funds (Chapter III)

The General Assembly also uses the structure of funds to control State fiscal policy. Appropriations, obligations, expenditures, and revenues of all State agencies are monitored through reference to the various funds in the Comptroller's Uniform Statewide Accounting System, (CUSAS).

There are currently over 250 funds in the State Treasury, but the large number of funds does not present a control problem. The General Assembly always has the option of consolidating funds.

Whether or not a special fund should be abolished or consolidated depends in part on the answers to the following questions:

(1) What should be done with taxes paid under the assumption they will be used for a particular purpose? Is it appropriate to use funds to achieve some purpose other than that for which they originally were intended?

(2) Should taxes in the form of user fees be collected by the State and then returned to users as benefits?

(3) Does the existence of a large number of special funds hamper fiscal management, inhibit public access to financial information, and make it more difficult for lawmakers to set spending priorities (p. 13).

Decisions to abolish or to consolidate funds also depend on legislative reassessments of prior commitments of State resources.

Federal Aid (Chapter IV)

Federal aid complicates the processes whereby the General Assembly controls expenditures, maintains accountibility, and makes choices between programs in the face of uncertain economic conditions.

Federal aid accounts for a large portion of total State resources, nearly one out of every five dollars. Federal aid has increased from $400 million in FY 1966 to almost $2 billion in FY 1976, an increase of 400%. The FY 1976 level represented a 24% increase from the FY 1975 level of $1.6 billion (p. 18).

However, the potential impact of federal aid goes far beyond dollar figures. Sometimes the State is left to fund programs the federal government initiated--programs the General Assembly would not have started by itself with State funds.

Sometimes when agencies have been using nonappropriated resources, the legislature is not even aware of a program's existence since programs

are often buried within existing divisions of departments. This problem is aggravated by the tendency of each agency to attempt to maximize its appropriation from State funds by underestimating federal aid receipts (p. 26).

More precise information is needed on how much federal aid is received and where it is spent. It is recommended that the statutes require all federal grant applications to be sent to the Bureau of the Budget and the Commission on Intergovernmental Cooperation (CIC) whenever federal funds are applied for. The CIC is designated the legislative branch's State Central Information Reception Agency under the federal Intergovernmental Cooperation Act of 1968. However, the Commission does not receive the required notification on each grant. It is further recommended that the statutes require the Bureau of the Budget to approve all requests of agencies under the Governor before the grants are applied for. At the present time, a division can apply for a federal grant without the knowledge of the director of the agency (p. 27).

It is also recommended that information on programs in which a change in federal aid has taken place or is anticipated should be made available to the appropriations staffs of the legislature. It is particularly important to know when federal aid for a program will decline. The decision to initiate, continue, or discontinue a particular federal-State program cannot be made rationally by the legislature unless the anticipated State costs in financing the program are known for both the short and long run (p. 27).

Nonappropriated Funds (Chapter V)

Spending from nonappropriated funds may involve the State in future obligations without legislative authorization. The amount of nonappropriated spending gives some indication of the impact these expenditures can have on State finances. Receipts into the 74 federal trust funds which were used but not appropriated in FY 1976 amount to almost $989 million.

One advantage of an agency using a nonappropriated fund is that these expenditures tend to escape the formal review process of the legislature. This permits an agency to compete for additional General Revenue Funds by understating its other resources. Agencies also have considerable discretion in determining how the funds are spent and a low probability of legislative oversight after they are spent.

The primary control over such expenditures from nonappropriated funds is the Auditor General's financial or compliance audit, which basically determines if the expenditures were properly charged. Nevertheless this financial review may not take place for a year or two. Since the funds are not appropriated, the legislature has no legal control over specific expenditures from these funds (pp. 29-35).

Many funds have been established by agencies outside the State's financial reporting system. Nearly all locally held accounts have been established under agencies' powers to accept gifts, awards, donations, and bequests. Agencies also can establish and maintain temporary trust funds or bank deposits for up to four years with the approval of the Governor and Comptroller. Four years seems too long to be "temporary," and it is recommended that the Finance Act be amended so that no account could exist for more than one fiscal year (a budget cycle) without legislative approval (p. 32).

In addition, it is possible for an agency to draw a warrant on an appropriated fund made payable to a locally held fund. Several universities (Illinois State University, Eastern Illinois University, and Western Illinois University) constructed homes for their respective university presidents, using appropriated funds to provide university-established foundations with capital. The conversion of appropriated funds to nonappropriated status can mean converting some line items, such as Contractual Services, to some other purpose. It is recommended that the statutes be amended to prohibit the conversion of money from appropriated to nonappropriated status (p. 35).

Public Funds (Chapter VI)

The Constitution directs the General Assembly to make appropriations for all State expenditures of public funds. However, since it is not clear what falls into the category of public funds, the scope of General Assembly controls over State spending is uncertain.

The public funds issue is confused further by obsolete statutory references to funds *not* subject to appropriation. Many of these references were adopted prior to the 1970 Constitution (p. 37).

Two other terms, "the State Treasury," and "funds held by the State Treasurer" are also used. These terms are not defined, and therefore are of little use in trying to distinguish public from nonpublic funds.

The Treasurer is the custodian for all "public funds." Sometimes the State Treasurer holds funds which do not belong to the public or to the State such as Social Security withholding. In some statutes--particularly in reference to federal money--the Treasurer is authorized to receive money but is instructed to hold them "outside the State Treasury." It is recommended that the statutes be amended to state that no funds may be held outside the State Treasury without legislative approval (p. 38).

In a sense, public funds are whatever funds the legislature appropriates. Without explicitly defining public funds the General Assembly has moved to bring more funds through the appropriations process. Agencies which use nonappropriated funds, including universities, recog-

nize that it is well within the powers of the General Assembly to eliminate all statutory references to nonappropriated funds or to appropriate all agency resources (pp. 38-39).

Constitutional Imperatives and the Universities (Chapter VII)

State universities present a special problem because less control and oversight have been applied to them than to other State agencies. Very little detail is contained in their appropriations, and university spending generally has not been subject to extensive oversight.

State universities are exempt from the provision of the Finance Act that requires agencies to deposit all public money into the State Treasury. The Finance Act identifies which money the universities may retain in their treasuries. Tuition, laboratory fees, library fees, excess income from auxiliary enterprises, and all other nonexempt income must be deposited promptly into the appropriate university income fund held by the State Treasurer (p. 40).

The balances held by universities in local or nonappropriated funds have reached significant levels. For FY 1977, $340 million of the universities' estimated expenditures of $1 billion will be from nonappropriated funds. At the end of FY 1976, State universities held approximately $625 million in local accounts. The large balances associated with these nonappropriated funds cause concern because these moneys can be spent with very little legislative oversight or control. The ability to accumulate large balances in nonappropriated funds provides the universities with opportunitites to act in ways that may conflict with legislative expectations. The universities may construct physical projects or establish programs with locally held funds when the legislature, given the opportunity, might not authorize such action (p. 41).

Timing of Budget Action (Chapter VIII)

This chapter examines these major questions related to the timing of the Governor's presentation of the budget. First, it examines whether existing requirements permit the legislature sufficient time to consider the budget. Second, the chapter considers the date of the State's fiscal year, which runs from July 1 to June 30, in view of the federal government's change to an October-to-September fiscal year. Third, the chapter discusses the issue of annual vs. biennial budgeting.

In almost every other State, the legislature receives the Governor's budget before March. However, other state legislatures operate under different constraints than Illinois. Many states still use biennial budgets. Furthermore, most state legislatures choose not to appropriate in detail as is done in Illinois. Most give the executive broad discretion in the means to implement programs.

By the time the Illinois General Assembly completes its reviews of veto action, as long as nine months may have elapsed since the unveiling of the Governor's budget. Supplemental appropriations can be introduced at any time so the General Assembly is continually concerned with budget matters, unlike most state legislatures.

Major State agencies do not believe their operations will be hurt if Illinois and the federal government have different fiscal years (p. 48).

Annual budgets enable the same group of legislators at least one opportunity to review an agency's spending plans and the execution of those plans, thereby enhancing legislative control. Biennial budgets make it virtually impossible for the same group of legislators to hear the initial justifications and explanations and to compare them to actual performance before passing the appropriation for the next fiscal period.

While spending has increased under annual budgeting, other factors--notably the enactment of the income tax in 1969 and the appropriation of federal funds--have been more important factors contributing to the increase in State spending (p. 49). Annual budgeting contributes to more accurate revenue and expenditure estimates. There seems to be no savings in overhead costs, such as less staff or less paper work. Since there is no convincing evidence that changing to biennial budgeting would lead to better control or less costs, and since there are some reasons that suggest it would give the legislature less control, a change back to biennial budgeting is not recommended (p. 51).

Budget Documents and Appropriations Bills (Chapter IX)

Budget documents and appropriations bills reflect different orientations toward State finance. These views can be characterized as "legislative control" and "executive flexibility." Each view implies the use of different criteria in budgetary decision making; each implies a different approach to appropriations. These two views are examined in regard to the documents of the budget process--the budget books, the forms used by the appropriations committees staff, and the appropriations bills.

The budget is contained in three books: *The Budget Narrative*, a description of the functions and activities of all agencies including comparative performance data on the various functions and activities; *The Budget Appendix*, a line item budget for each function and activity; and *The Personnel Detail* a list of all State employees tabulated by position, title, and salary for each agency.

The Budget Narrative contains some of the comparative performance data required by statute. However, in many cases, the data for various activities and functions are not shown. Often the data are measures of

workload, such as so many tests given and so many licenses issued. The costs of individual programs are not shown in any systematic fashion. For example, the cost of community-based mental health care is given, but not the cost of inpatient or outpatient care at State institutions.

These data are not presented in a systematic fashion so the legislature and the public can readily discover if a department or division is meeting its own goals. It is recommended that the format of the Budget Narrative be changed to show these comparisons (p. 53).

It is also recommended that Illinois return to a budget book with integrated line item and program data. This is not a new idea in Illinois. The budget submitted by Governor Kerner for FY 1968-1969 showed how divisional or institutional resources within a department were allocated to each program. The program categories were very broad, sometimes as broad as a division. Nevertheless, these categories did provide some idea of the relative allocation of resources to programs at specific institutions. Such a format would provide the legislature with some of the information it needs to evaluate appropriations requests (pp. 53-54).

The current set of appropriation line items may seem to be very restrictive, but they are relatively flexible in practice. For example, a line item budget tells agencies how much they can spend on hiring personnel but does not place any restrictions on the duties the employees perform. Nevertheless, legislators expect that the employees conform in large part to the manpower utilization plans of the *Personnel Detail* (p. 55).

In contrast, a program budget might not tell an agency specifically how much money to spend on equipment as opposed to Travel, Personal Services or Contractual Services, but theoretically it would restrict the use of the equipment to a specific program or activity. Unfortunately, lack of program definitions and the necessary arbitrary allocation of expenses to programs, instead of to organizational units, gives the executive a virtual free hand in deciding how to use a program's resources.

Our accounting systems are set up by divisions, and designed so that clerical help routinely can attribute expenditures to the proper division with a high degree of reliability and replicability. They facilitate instantaneous access to an agency's expenditure patterns at any point in the accounting period. Furthermore, program budgets require clearly definable programs and accurate programmatic financial data. These are not presently available. Consequently, a "pure" program budget should not be adopted at this time. But, it is important to remember that legislative control over expenditures is limited to the restrictions imposed by the language and dollar amounts of appropriation bills, and the relatively more permanent context of control. An important aspect of the context such as the Finance Act, and specific appropriation controls are often evaded or stretched by agencies during the course of adminis-

tering programs. Consequently, it is recommended that the legislature retain its control orientation (p. 59).

Appropriations Criteria (Chapter X)

There are four factors which seem to be important in appropriations decisions:

(1) the Constitutional requirement that total appropriations not exceed anticipated resources;

(2) the change in each agency's budget from the prior year;

(3) the agency's efficiency and effectiveness; and

(4) the future fiscal impact of current budget requests.

The General Assembly is hampered in making appropriation decisions because information is not readily available about exactly how an agency spent its prior year's appropriation. This is understandable since the legislature is required to make appropriations for the budget year before expenditures are complete for the current year and before the amount of supplemental or deficiency appropriations is known.

Legislators often think in terms of the cost of maintaining current activities, the cost of updating the base for uncontrollable factors, the cost of previously agreed upon policies, and the cost of changes in the scope of agency activities. Once it has been decided that an agency is to pursue a particular purpose, most legislators believe they should support whatever funding is "needed." While most of the emphasis is clearly on the margins, the Illinois General Assembly occasionally has redefined the base, temporarily suspended commitments of previous General Assemblies, altered many, and even refused to fund entire agencies (pp. 60-61).

Legislators know that financial reports are inadequate for assessing effectiveness and efficiency and future year costs.

Future fiscal impact information is supposed to be found in fiscal notes, but these notes have not been required on bills authorizing bond sales. It is recommended that the Fiscal Note Act be amended to require fiscal notes specifying future year principal and interest payments for all capital authorization legislation (p. 64).

There is another area where accurate estimates of future year costs can be made. This is an all too often neglected aspect of State finance--the State pension system. It is recommended that the Governor be required to include in the budget book his proposals for funding current and future pension liabilities. It is also recommended that the

Act requiring all pension legislation go through the Pension Laws Commission be strengthened (p. 65).

Furthermore, the pension liability incurred for all federally funded programs should be paid for in full. While the State can catch up in future years for the pension plan support it does not contribute this year, it does not make any difference to the federal government if there are unfunded future year State obligations and liabilities, once a federal grant is exhausted (p. 65).

Capital Budgeting and Appropriations (Chapter XI)

The State of Illinois annually spends a significant portion of its budget to construct and renovate its capital facilities. State capital projects can range from the installation of lights in a parking lot to the construction of a new office building. Most capital improvements involve nonrecurring expenditures, and projects which may take longer than one year to complete. For FY 1977, appropriations and reappropriations for permanent improvements and highway-waterway construction were about $1.5 billion.

The State also devotes a considerable portion of its resources to direct and indirect financing and subsidizing of capital construction and renovation of local level projects. Some of the more notable examples are school construction grants, school construction debt service grants, and sewerage treatment construction grants. For FY 1977, appropriations and reappropriations financing or subsidizing construction or debt service at the local level amounted to more than $.7 billion (p. 66).

The State owes $1.369 billion in principal and $.765 billion in potential interest for general obligation debt issued as of June 30, 1976. This is almost seven times the amount owed six years before. The State has spread the burden of payment onto future generations, and both the additional burden and the short and long range benefits should be considered whenever bond authorizations are increased. All too often, bond generated funds are considered free, or at least cheaper than funds generated from current taxes. Bond funds, like federal funds, are derived ultimately from taxpayers (pp. 67-68).

State-level capital projects emerge primarily from two agencies: the Department of Transportation (DOT) and the Capital Development Board (CDB).

Capital spending requests are presented in two ways in the budget books. *The Budget Narrative* presents a summary of total capital requests and outlines each agency's proposed capital projects, the amounts appropriated in the prior and current years, and recommended appropriations for the budget year. Estimates of the impact of projects on future operating budgets are not included.

The Budget Appendix contains very little capital information. The entire budget for the Capital Development Board for FY 1977 is presented on less than two pages without enumerating a single project. It is recommended that the Governor be required to specify in the budget books those capital projects for which appropriations are requested (p. 74).

There are no multi-year capital spending estimates reflected in the budget books. It is particularly desirable to relate capital construction cash flow needs with bond fund balances, bond sale projections, and overall capital authorization limits. Since construction is not the only activity financed from bond funds or other funds, it is important to relate construction to other cash flow requirements. It is recommended that the Governor be required to present his capital spending plans in such a fashion to show the first and subsequent years' cash requirements by fund for the proposed bonded program (p. 74).

Another aspect of multi-year costs that should be included with the total bond package of the Governor is the future impact, by year, of the principal and interest payments, by bond fund, necessary to pay off the Governor's program. The Governor should be required to show this information in such a fashion so that the incremental cost of this year's program is set apart from the cost of past year bond programs. Legislators could then examine the impact of the Governor's program on the amount of debt service for each year (p. 75).

All appropriations are available for one fiscal year. For the first fiscal year of a project's construction, the General Assembly appropriates in most instances the total estimated cost of the project. If the project is not completed within the fiscal year, the entire unexpended amount of the original appropriation must be reappropriated.

Annual reappropriations provide the General Assembly with the opportunity to scrutinize every capital project. Because money must be reappropriated, the legislature can determine every year whether the State needs each project.

Reappropriations inflate the size of the Governor's budget from a budget year cash flow perspective, but they do not inflate the total cost of the Governor's program for a fiscal year. If only this year's cash flow requirements for current projects are included in the Governor's budget, then the State's liabilities would be seriously underestimated.

If the entire budget is examined from a liability perspective, reappropriations should be included in the Governor's budget and a project should be appropriated in full at the initiation of that project's planning, and the future year principal and interest payments associated with each project also should be included in the budget. If the budget is to represent a picture of the State's financial situation, then the budget should contain all the future year costs that result from this year's programs. It is recommended that the reappropriation system be

retained because of the excellent future year liabilities aspects and the opportunity it gives the executive and the legislature to alter capital project spending plans (p. 79).

Expenditure Process (Chapter XII)

This chapter begins with a discussion of impoundment and the allotment system, traces the expenditure process from obligation through preaudit and warrant issuance, and concludes with a consideration of the State's 90-day lapse period, during which obligations previously incurred may be charged against the previous year.

The problem of executive impoundment at the federal level is not analogous to the situation in Illinois due to differences in the way the two legislative bodies appropriate funds. In Illinois, the General Assembly makes appropriations which give agencies the authority to spend particular amounts "or so much thereof as may be necessary."

Federal appropriations are closer to actual disbursements from the Treasury. Many federal agencies accumulate and use appropriation authority from earlier years. When unused federal appropriation authority expires, it is closer to the truth to say, "The funds have been returned to the Treasury." When unused State appropriation authority lapses, the funds do not return to the Treasury because the funds have never left. State appropriations are ceilings on spending, whereas federal appropriations are closer to spending allowances agencies can use now or save for future years (p. 81).

An Illinois Impoundment Control Act (HB 518), closely modeled on the impoundment section of the federal law, was introduced during the 1975 legislative session. For such an Act to be effective in Illinois, a change to more programmatic budgeting would be required, a change discouraged in other sections of this report. More importantly, Illinois appropriations would become mandates to spend, rather than spending limits. It is recommended that Illinois use formulas where mandated spending is desired and continue to use appropriations as spending ceilings (p. 82).

One way of impounding money is through a system which allots less than the total appropriation to an agency for spending. About half of the State budget involves funds allotted periodically by law. State law requires a transfer by the fifteenth of each month from General Revenue to the Common School Fund for distribution to local school districts. In such cases, "allotments" are equal to the full appropriation, so the legality of an impoundment in this case would be questionable. It is recommended that a statute explicitly prohibit the impoundment of these formula funds (p. 82).

This recommendation is not a suggestion that all formulas be fully funded. It is recommended that the State continue the policy that

no dollars can be spent in excess of appropriations, regardless of the dollar requirements of formulas found in substantive legislation (p. 82).

The State of Illinois--like most governments--is essentially on a cash basis of accounting with obligations encumbering appropriation authority to prevent overspending. Revenues are recorded only when cash is received, and expenditures are charged against the fiscal period when the cash is actually disbursed. However, the lapse period allows goods or services received or contracted for prior to July 1 and paid for by September 30 to be charged against the fiscal year in which they were received or contracted.

The lapse period permits a picture of the cost of government for a fiscal year. For example, allowing agencies to pay later for equipment ordered before July 1 is useful because it shows how the State looks from the point of view of outstanding liabilities. Thus a better picture can be drawn of the State's unencumbered resources as well as those resources which can be used for additional liabilities.

It is recommended that the present system of lapse period spending be retained because the present system allows the legislature a better idea of the State's liabilities and unobligated resources (pp. 88-91).

Expenditure Review (Chapter XIII)

Expenditure review is carried out informally by legislators and legislative staff. It is done more formally by two legislative agencies--the Auditor General and the Economic and Fiscal Commission.

Expenditure review involves four types of considerations:

(1) Legality. Was money spent on the items for which it was appropriated? Were expenditures made in accordance with State laws? Were they recorded properly?

(2) Efficiency. Was the program operated as efficiently as possible?

(3) Policy conformance. Did the policies, administrative actions, and expenditures carried out by an agency conform to the expectations of the General Assembly?

(4) Effectiveness. Did the program achieve the results desired by the General Assembly and the Governor?

Legislative oversight and expenditure controls represent the most effective legislative controls over the executive. Legislators perceive of the oversight task as predominantly a negative or checking activity, but oversight also provides agencies with an appreciation of legislative expectations.

Appropriations committee members use both statutory and nonstatutory oversight techniques. The most obvious kind of statutory control flows from appropriation decisions. Appropriation levels control agency activity. If an agency or part of an agency is suspected of not using funds in accordance with the General Assembly's wishes, the legislature can exert financial leverage to insure compliance. The legislature has inserted language in appropriation bills specifying the conditions under which money can be obligated. In one case, the legislature tried to "limit" the use of funds by stating that "no part of their appropriation shall be expended for (a specified activity)." Or the General Assembly may fix the length of time during which the money can be obligated, usually for a single fiscal year but sometimes less.

The legislature can also pursue its oversight tasks in nonstatutory ways. Hearings are held each year to examine agency budget requests and to question agency officials. Opportunity exists, both "on and off the record," to scrutinize agency behavior and communicate legislative preferences to the appropriate agency officials.

The importance of legislative oversight derives not only from the fact that the General Assembly holds the power of the purse, it stems also from the frequency of opportunity for control. Since appropriations decisions are made annually, the legislature can be "continuously watchful." The same legislators who make the original decisions are there to check on agency compliance. Informal oversight activity surrounds appropriations hearings, and formal oversight activity takes root there (pp. 92-94).

Systematic expenditure review for the Illinois legislature is conducted by the Office of the Auditor General and the Illinois Economic and Fiscal Commission (IEFC). The Office of the Auditor General was made part of the legislative branch in 1973. The 1973 State Auditing Act enlarged the scope of activities from a narrow focus on financial audits to a broad responsibility encompassing management, efficiency, and program effectiveness audits. The Auditor General contracts out financial and compliance audits while building up his management audit staff.

The IEFC, successor to the Illinois Budgetary Commission, was established July 1, 1972. It was assigned three main responsibilites: to prepare an annual revenue estimate and economic forecast; to provide the General Assembly with the most reliable and authoritative information possible about the operations of State government and economic developments and trends in Illinois; and to conduct studies and to make recommendations "intended to improve the functioning of State government." This wording was interpreted to empower the Commission to perform program evaluation studies.

LEGISLATIVE CONTROL OF STATE FINANCE

May 1977

Prepared by the staff of the Illinois Economic and Fiscal Commission

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I. PURPOSE AND ORGANIZATION

In April 1975, the Illinois Economic and Fiscal Commission (IEFC), pursuant to its statutory responsibility to conduct studies and to make recommendations "intended to improve the functioning of State Government," directed its staff to examine the General Assembly's role in State finance. This study focuses on how the legislature can best control the scope and limits of State finance.

Conclusions and recommendations in this report are those of the Illinois Economic and Fiscal Commission.

Recently, the Illinois General Assembly began to take a more active and continuous role in the control and oversight of State finance. It had problems controlling State finance, It did not always like what it saw and took steps to change what it could. Sometimes its preferences were respected, and sometimes they were ignored. Legislative expectations became expressed more frequently, and administrative behavior was checked more often against the standard of legislative expectations.

As this study evolved, it became clear that the General Assembly should strengthen its control and oversight of State finance. Even though many of the financial practices and procedures used in Illinois need revision, this study is concerned primarily with improving the General Assembly's position as the main architect of the State's financial policy. Thus the recommendations of this report may be used as a guide to improve legislative methods of allocating State resources and legislative access to information about future costs and to insure agency compliance with legislative decisions.

It is understood by the authors of this study that changing the decision making process can alter the politics and policies of a legislature. Thus it is particularly important that a study of the General Assembly's role in State finance consider the perspectives of individual legislators and take into account that the legislature is an institution with constitutional responsibilities.

In the light of the above comments, the IEFC staff asked three questions:

(1) What can be done to enhance legislative control and oversight of public finance?

(2) What other options are available in the decision making process to enhance control and oversight?

(3) How would changes affect the decisions and policies that are the final products of a legislature?

These questions guide this study of "Legislative Control of State Finance." The answers to these questions influence in profound fashion the way a legislature goes about its work: the consideration of the functions of government and the appropriation of money to carry out these functions.

Organization

This report is divided into four sections. The first section immerses the reader in the language of the appropriations process and the techniques of control applied to that process. The second section describes some recent problems of control facing the legislature (federal aid, nonappropriated funds, public funds, and the universities) and legislative attempts at resolution. The next section explains in detail several suggestions to change the techniques of control available to the General Assembly (timing of budget action, budget documents and appropriations bills, appropriation criteria, and capital budgeting). The last section examines the kind of controls available to the General Assembly after appropriations decisions are made (expenditure review and expenditure processes).

Appendices. Following the text are a number of appendices which contain documentation of findings or more complete information on some issues. Each appendix is designated by the Roman numeral of the chapter it relates to, followed by a capital letter indicating its sequence in the chapter. Appendix III-B, then, would be the second appendix to Chapter III. Appendix I-A is a glossary of specialized terms used throughout the report. Appendix I-B is the State Finance Act.

The staff appreciates the advice and comments of the following individuals who read portions of the manuscript: Sam Baker, Russ Blaauw, Cal Bostian, John Day, Garrett Deakin, Tom Dodegge, Don Glickman, Kurt Granberg, Bill Holland, Jim Jepson, Harry Kelley, Len Kious, John Lattimer, Robert Mandeville, Pamela Reichl, Tom Sommers, Sam Stiles, John Washburn, and Francis Whitney.

The staff also wishes to acknowledge the aid and assistance of the General Assembly, its staff, the Office of the Comptroller, and all other agencies and individuals who contributed to this study. Finally, we owe a special debt of gratitude to our secretarial staff for the preparation of the report: Louise Forney, Lucille Koval, and Betty Maupin.

SECTION I

THE LANGUAGE OF CONTROL

The budgeting, appropriations, and expenditure processes are the legislature's most important source of information and control over State fiscal policy. The controls associated with these processes are implemented through a specialized language. The first two chapters introduce the language of control within the context of legislative action.

II. INTRODUCTION TO LEGISLATIVE CONTROLS

The General Assembly can influence State finance through a variety of legislative actions. It outlines the broad purposes for which State resources may be used, it specifies the mix of resources to be employed, and it decides what programs are authorized by law and the amount of money made available to each agency. The legislature also tries to insure agency spending complies with legislative expectations, and, when it does not comply, the General Assembly applies controls to make sure that it does.

The legislature uses many different techniques to control State fiscal policy. This chapter describes (1) recent problems of control confronting the General Assembly, (2) levels of control available to the legislature, and (3) the exercise of specific controls.

Recent Problems of Control

Legislative interest in financial control was reinforced recently by increases in federal aid, the declining General Funds balance, and numerous instances where agency spending conflicted with legislative expectations.

Federal aid now accounts for 23% to 25% of the Illinois budget. Federal aid usually flows to funds other than General Revenue, except for revenue sharing and public aid reimbursements. The legislature appropriates these funds as well as State matching funds, but in many cases the General Assembly has limited control over the way federal aid is spent.

Control of federal aid is only part of the problem. The declining General Funds balance emphasizes the need to analyze the potential financial commitments made by State agencies without legislative authorization. This situation exists in the case of nonappropriated funds (Chapter V), but there are other long run obligations associated with capital budgeting (Chapter XI), pension funds (Chapter X), and university local funds (Chapter VII). These subjects are examined in individual chapters. Each highlights a critical problem of control and legislative attempts at resolution.

Levels of Control

The General Assembly applies specific *techniques of control* within a broad *context of control*.

The basic difference between the context of control and the techniques of control is the degree of permanence. The context of control is relatively more permanent than the techniques of control. The context of control is the set of legislatively and constitutionally

determined practices and procedures for receiving, obligating, spending, holding, and accounting for public funds. Many aspects of the context of control are very familiar to students of the State's financial system. The Finance Act, the structure of funds, the State Purchasing Act, rules about the use of vouchers, the Comptroller's Unified Statewide Accounting System, annual budgets, and two percent transfer authority are all part of the context of control.

They are illustrated below:

Techniques (less permanent)	Context (more permanent)
Scope and Content of Appropriations Process	Finance Act
Scope and Content of Legislative Post Audit	Comptroller's Uniform Statewide Accounting System (CUSAS)
Scope and Content of Oversight	Fund Accounting
	Trust Funds
	Vouchers and Warrants
	Preaudit
	State Purchasing Act
	Annual or Biennial Budgets
	Lapse Period Spending
	Two Percent Transfer
	Appropriations Process
	Legislative Post Audit

The techniques of control encompass the formal and informal methods the General Assembly uses to promote accountability. They vary from agency to agency and from year to year as the legislature tries to anticipate changes in the needs of the State. One informal technique of control is legislative oversight, reviewing what agencies have done with their appropriations. More formalized oversight is carried out through the Auditor General's post audits. Another formal technique is to require agencies to justify their continued funding as well as the need for increases in funding during appropriations hearings. All of these activities are directed specifically at influencing agency behavior through control of the purse strings.

Some Recent Techniques of Control

One formal application of a legislative control technique is the use of appropriations bills which specify, sometimes in great detail, the dollars available for an agency to spend on salaries (Personal Services), Travel, and Equipment, as well as the source of the money (State, federal, or other source).

The General Assembly has added more specific requirements to appropriations bills in the past few years to control expenditures.

These techniques of control have been numerous and varied, but each represents a kind of intervention available to the legislature.

Agencies could decide the upper limit on federal aid expenditures as recently as 1974, but the General Assembly has since increased its role in determining the level of spending of federally provided resources. The following passage appears in the Department of Public Health appropriation bill for FY 1974:

> Any federal funds for such purposes, or other purposes as may be prescribed by federal law or regulation, received in excess of the foregoing appropriations shall be paid into the proper trust account and disbursed for such purposes or other purposes prescribed by federal law or regulation.

This section suggests the legislature viewed appropriations as essentially open-ended.

The legislature modified this practice for FY 1975 and sought to place a ceiling on agency spending through the following restrictive language:

> Any federal funds for such purposes, or other purposes as may be prescribed by federal law or regulation, received in excess of the foregoing appropriations shall be paid into the proper trust account but shall only be expended subject to additional appropriations by the General Assembly provided however that grants-in-aid for nonstate agencies may be expended without additional appropriations by the General Assembly.

Thus the legislature moved toward a less open-ended view of authorization. Agencies could no longer spend federal funds without going through the appropriations procedure. This change discouraged agencies from understating their federal aid estimates since they no longer could spend money in excess of appropriations without approval by the General Assembly.

The Department of Public Health's FY 1975 supplemental appropriation of $20 million in federal funds is an excellent example of how the General Assembly is able to obtain a better picture of an agency's resources by requiring that all resources be appropriated. Public Health hoped that the FY 1974 open-ended language would be retained. The agency's budget request kept the Governor's numbers until late in the spring session even though the federal aid estimates contained in the Governor's budget books drastically underestimated expected receipts. The supplemental appropriation bill which passed in the fall session approximately doubled the department's authority to spend federal funds but, without this supplemental, the department's resources would not have included the federal funds underestimated the previous spring.

The legislature eliminated these federal fund clauses for FY 1976 and FY 1977, but did not retreat from the application of additional controls. These controls are not expressed in the appropriation bill itself. Instead, the General Assembly used the appropriation hearings as the forum to express its intent. The General Assembly established appropriations as ceilings on expenditure authorizations, explicitly compelling some agencies to bank and not spend additional funds received after appropriations were determined. The supplemental appropriation for the Department of Public Health for FY 1976 was about $200,000. That is quite different than the $20 million supplemental passed tne previous fiscal year.

The legislature imposed further restrictions on Public Health spending from federal funds for FY 1977. More specificity for federally funded programs was included and appropriations were made by line item.[1]

Another example of increased legislative interest in the control of spending from federal funds is the appropriation bill for the Illinois Law Enforcement Commission (ILEC) which receives money from the Law Enforcement Assistance Administration (LEAA). The LEAA was created to disburse federal money in conjunction with the Safe Streets Act. The appropriation bill for ILEC prior to FY 1975 listed lump sums for grants-in-aid for local government planning and discretionary grants to other State agencies, but its level of detail increased as the General Assembly grew displeased with the way ILEC used the flexibility the lump sums provided.

The legislature added greater detail to the ILEC appropriations bill in FY 1975 to list all federal grant funds to State agencies. This pattern continued for FY 1976 and FY 1977 as the legislature appropriated grants by project. Under the category Discretionary Grants for State Agencies, the General Assembly appropriated money from General Revenue and the Federal Criminal Justice Trust Fund "for expansion and upgrade of Computerized Criminal History System." Two years earlier, the legislature appropriated one lump sum for all discretionary State agency grants. More controls were added for FY 1977. The legislature added a Personal Services line item plus another line item "for all other operational purposes, excepting Contractual Services for nonprofessional, nontechnical, and nonartistic services." These controls provide an opportunity for the legislature, through appropriations by project, to reject proposals deemed unworthy.

The Illinois General Assembly has employed other kinds of expenditure control. For FY 1976, the Governor recommended a large percentage increase for the Registration Division of the Department of

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[1]The standard line items are Personal Services, Contractual Services, Travel, Commodities, Equipment, Permanent Improvements, Land, Electronic Data Processing, Operation of Automotive Equipment, Telecommunications Services, Contingencies, and Reserve.

Registration and Education. However, some legislators opposed the increase except that portion intended for regulation of the real estate industry. This message was transmitted to the department indirectly in the form of appropriations language. They eliminated the bulk of the increase and appropriated in a lump sum the salaries of new personnel for the regulation of real estate.

The same group of legislators had another message to deliver to the same department for FY 1977. They believed too many real estate licenses were issued and therefore sought to restrict the granting of licenses by reducing the amount of funds for examinations in general and for real estate examinations in particular. The legislator's message was communicated through reduced amounts and greater specificity. What had been one $480,000 lump sum for examinations during FY 1976 became eleven lump sums for FY 1977.

In these two instances, the General Assembly used the appropriations process in a formal way to express the relative emphases it wanted the Department of Registration and Education to pursue. The legislature specified its intent in the controlling language of appropriations bills. If the General Assembly had more confidence in the department's willingness to carry out legislative intent, it probably would not have altered the form and structure of the appropriations bills. Otherwise the General Assembly could have influenced the department's conformance to legislative wishes through more informal means, such as the dialogue which takes place during committee hearings.

The General Assembly's approach to grants-in-aid for the Department on Aging illustrates increased attention to controls through specific language and additional line item appropriations. For FY 1976, operating appropriations from the one fund other than General Revenue were lump sums to provide "for the ordinary and contingent expenses of the operation of the Department on Aging."

The General Assembly made two changes in this format for FY 1977:

(1) Grants were appropriated by each federal title with State matching funds specified by title rather than the previous lump sum approach which did not specify the amount corresponding to each federal title; and

(2) federally funded operations were appropriated by line item. (See Appendix II-A for the FY 1977 bill.)

The General Assembly added the following language to almost all spending bills:

> Not more than 50% of the amounts appropriated for Personal Services and Travel by this Act shall be obligated,

expended or contracted from the date this Act becomes effective to January 1, 1977.

This "Partee language," named after its author, former President of the Illinois Senate Cecil Partee, is a significant addition to the techniques of control available to the General Assembly. The 50% line item expenditure limitation has been applied to appropriations from General Revenue, federal and State trust funds, operations, and even State officers. This stipulation is not really new as the General Assembly exercised similar controls when Illinois operated on a biennial budget cycle. Expenditures were usually limited to the first 75% of total appropriations during the first three quarters of the two-year period (see Appendix II-A).

Thus, the General Assembly has used the appropriations process to move toward more controls on spending by limiting language (50% provision) and adding line items and additional restrictions on federally funded expenditures. The movement toward improved legislative control over State finances demonstrates that the Illinois General Assembly desires a larger role in the allocation of public resources. In addition to the controls expressed in the language of appropriations bills, the legislature has other vehicles of control, notably the structure of funds. That is the subject of the next chapter.

III. STATE SPECIAL FUNDS

In addition to the appropriations process the General Assembly uses the structure of funds to control State fiscal policy. Control is exercised by earmarking money in State special funds. This chapter describes the state's system of fund accounting and examines whether the creation of many State special funds presents a problem of control for the General Assembly.

The Comptroller's Uniform Statewide Accounting System (CUSAS) is based on fund accounting. Funds are the self balancing accounts against which the financial activities of the State are reported. Appropriations, obligations, expenditures, and receipts of all State agencies are monitored through reference to the various funds maintained by the State.

Funds, like all aspects of accounting systems, are used to provide financial information and control. This information is intended for at least four distinct groups with different needs:

(1) program and agency fiscal administrators;

(2) the legislature, the Bureau of the Budget, and the Governor;

(3) investors; and

(4) the general public.

Program administrators require frequent and detailed financial reports since they must make daily operating decisions. The Governor and the General Assembly must have timely, pertinent financial information to determine budgetary priorities and appropriation levels. Investors also seek information to assess the State's fiscal position and thereby judge the security of State bonds. To insure overall accountability, the general public should have access to financial information in a readily understandable form.

In addition to supplying financial information, a fund usually establishes *control* over the use of resources. For example, earmarking bond financed funds controls their uses and assures investors that the money will be spent on capital projects rather than on operations.

Fund Groups

Funds are classified in the Comptroller's Uniform Statewide Accounting System (CUSAS) manual into ten groups. Of the funds listed in the CUSAS fund reports, about two-fifths are specifically referred to in statute. The rest were administratively established.

CUSAS groups funds in the following categories:

General Purpose Funds - those funds established by statute to receive the major portion of tax revenues and to pay the regular operating and administrative expenses of most State agencies. The General Purpose funds are Common School, Federal Fiscal Assistance, Public Works Employment, and General Revenue.

Highway Funds - those funds established by statute to receive and distribute special levies related to transportation, such as the Motor Fuel Tax, and to support construction and maintenance of transportation facilities and activities.

University Income Funds - those funds which receive revenues such as fees, tuition, and excess income from auxiliary enterprises at State-supported institutions of higher education. The General Assembly appropriates resources of these funds for the support, operation, and improvement of State-supported colleges and universities. This group also includes those funds administered by universities and not subject to appropriation.

Special State Funds - those funds designated in Section 5 of the Finance Act as special funds in the State Treasury and not elsewhere classified. They represent a segregation of accounts for specific purposes on a substantially permanent basis. Some examples are the Agricultural Premium Fund, the Fire Prevention Fund, and the Game and Fish Fund.

Bond Financed Funds - those funds established to receive and administer the proceeds of various bond issues of the State such as the Capital Development Fund and Transportation Bond Series A Fund.

Debt Service Funds - those funds established to finance and account for the payment of principal redemption and interest associated with the general obligation bond issues of the State. Some examples are the Capital Development Bond Retirement and Interest Fund and the Anti-Pollution Bond Retirement and Interest Fund.

Federal Trust Funds - those funds established pursuant to grants and contracts between state agencies and the United States. The funds are administered for specific purposes established by the terms of the grants and contracts. The Services for Older Americans Fund and the Vocational Rehabilitation Fund are two examples.

Revolving Funds - those funds such as the Office Supplies Revolving Fund and the Paper and Printing Revolving Fund established to finance and account for services and commodities furnished by a designated department or agency to other departments and agencies. Amounts spent by the fund are restored either from operating earnings or by transfers from other funds, so that the original fund capital is kept intact. All revolving funds have statutory references.

State Trust Funds - those funds established by statute or under statutory authority for specific purposes. Some examples are the Correctional School District Education Fund, the Land and Water Recreation Fund, and the State Scholarship Commission Loan Fund. State Trust funds differ from Special State funds in that they are not necessarily established by specific statute nor are they likely to be financed by user fees or fund transfers.

Other Trust Funds - those funds established to receive and account for resources for subsequent disbursement to a designated recipient. The Unemployment Trust Fund is an example of an Other Trust Fund.

There are currently over 250 funds in the State Treasury, but reduction in the number of funds may not necessarily increase the General Funds balance nor will it contribute particularly to legislative control of the State's financial resources.

The impetus for releasing earmarked funds comes from the belief that moneys in other funds should not go unspent while the General Revenue Fund is short of money.[1] However, while generating additional revenue to transfer to the General Revenue Fund is of some merit, this action may reduce the public's access to revenue and expenditure information. The abolition of funds could mean that information now provided could no longer be obtained. It also may make it more difficult for interested groups and individuals to follow particular programs.

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[1]Although some persons believe agencies spend General Revenue appropriations first and try to conserve the balance of their special fund, it would seem particularly important for the Bureau of the Budget to encourage conservation of General Revenue funds, given the concern of the Governor to protect the balance in the General Revenue Fund. Thus, it is assumed that the Bureau of the Budget is particularly diligent in discouraging agencies from protecting their special funds.

Whether or not a State special fund should be abolished or consolidated depends in part on the answers to the following questions:

(1) What should be done with taxes paid under the assumption they will be used for a particular purpose? Is it appropriate to use funds to achieve some purpose other than that for which they originally were intended?

(2) Should taxes in the form of user fees be collected by the State and then returned to users as benefits?

(3) Does the existence of a large number of special funds hamper fiscal management, inhibit public access to financial information, and make it more difficult for lawmakers to set spending priorities?

User Taxes

Those funds which are financed primarily by user taxes such as the Public Utility Fund and the Motor Vehicle Fund establish controls over resources whose public visibility is important. Users can see readily the amount of their contributions and that they are used only for their specified intent. It also can be argued that the excess in the Public Utility Fund does not belong to the State because it represents tax overpayments.

The Motor Vehicle Fund originated with the trucking industry's desire for regulation and their willingness to finance its administration through the Illinois Commerce Commission.

The Illinois Thoroughbred Breeders Fund, the Illinois Standardbred Breeders Fund and the Illinois Racetrack Improvement Fund comprise a "closed" tax system in which users are taxed and the money earmarked to provide purse supplements, county fair prizes, and stakes to encourage Illinois conceived and foaled horses. The Racetrack Improvement Fund is also a "closed" tax system in that users are taxed to provide savings for capital improvements at racetracks.

The Need for Public Visibility

The need for public information and visibility is significant in the example of the Protest Fund and the Grade Crossing Protection Fund. In the case of the Protest Fund there are legal restrictions and cash flow considerations. In some cases these moneys may remain in the account for more than thirty days if an injunction is granted. These funds do not yet belong to the State. If they were transferred to General Revenue and a court rules that $25 or $30 million should be paid out of General Revenue immediately, it might be difficult for the General Revenue Fund to sustain such a large disbursement.

The Grade Crossing Protection Fund is an example of a fund balance which is relatively stagnant. This lack of activity is due to the lag between obligation and installation: the crossing protection devices are paid for by the State and the railroads, but they are installed by the railroads. Nevertheless, the fund's balance signifies the State's good faith, willingness, and ability to participate in a jointly funded program despite the reluctance of its cofunders.

Thus, in the case of the Protest Fund and the Grade Crossing Protection Fund, normally reliable indicators of fund activity, such as balances and expenditures, are not sufficient to determine whether these funds might be transferred to General Revenue because liabilities and public commitments are also important.

The Illinois Building Authority was established in 1961 to provide long term financing of capital improvements for use by State agencies because such financing was not permitted under the previous constitution. However, the 1970 Constitution authorized long term State debt through the issuance of general obligation bonds. The Illinois Building Authority is not an agency of State government, and it seems that the fund cannot be abolished or transferred. Perhaps the reserve might be used for earlier retirement of Illinois Building Authority Bonds.

There are, however, at least three State special funds which might be abolished: the Local Government Law Enforcement Officer Fund, the Local Fire Protection Personnel Fund, and the Local Government Distributive Fund. All three funds use transfers as their major source of revenue. Moneys in the first two funds are expended for the purpose of paying necessary and proper expenses of the appropriate boards and for payment to local governments who participate in the training program. Local government units are reimbursed one-half of the total sum expended for training and related expenses. Appropriations for FY 1977 are $2,148,700 for the Law Enforcement Fund and $1,115,700 for the Fire Protection Fund. Neither of these funds is financed by user fees. There is little reason to maintain these funds, and they could be paid for out of General Revenue.

The Local Government Distributive Fund (FY 1977 appropriation, $153,000,000) is financed by a monthly transfer from the General Revenue Fund. Allocations are made to the various municipalities on the basis of a population formula. As in the case of the two other funds, the Local Government Distributive Fund could be abolished and funded directly out of the General Revenue Fund.

If the Local Government Distributive Fund is abolished, local governments may not receive their share. However, if the money is earmarked, it will be available even if there is insufficient spending

authority. One recent Governor recommended an appropriation out of the Local Government Distributive Fund which was about ten percent less than the amount needed to fund the formula. Even though this earmarked fund received the predicted yield from the income tax, money would accumulate after the appropriation was exhausted until additional appropriation authority was granted.

Transfers

Another aspect of State Special funds is transfers. Transfers do not necessarily involve user fees, but they are part of the question of control since some State Special funds involve transfers into other funds including General Revenue. Many transfers can be described as routine transactions because they take place at regular intervals and are specified in statute, either as an absolute amount or as a percentage of some tax. Over $2 billion were transferred between funds in both FY 1975 and FY 1976. (A list of routine transfers is provided in Appendix III-A.) For example, there are statutory requirements that $200,000 per month be transferred from the Motor Fuel Tax Fund to the Grade Crossing Protection Fund, and that one-twelfth of the net income tax be transferred from General Revenue to the Local Government Distributive Fund.

In addition to routine transfers, several transfers each fiscal year occur at the discretion of the Governor as provided in the statutes, while for others the conditions for transfer are specified in the statute. These nonroutine transfers differ from routine transfers because they do not occur at regular intervals. Of special interest is the Agricultural Premium Fund, which receives transfers from two sources:

(1) the State Fair Fund when its balance exceeds $50,000 and

(2) the Fair and Exposition Fund when its balances are in excess of obligations as determined by the Governor.

Nonroutine transfers between funds amounted to $53 million in FY 1974, $45 million in FY 1975, and $87 million in FY 1976.

The Agricultural Premium Fund statute grants the Governor statutory authority to transfer excess funds (as determined by him) from the Agricultural Premium Fund to the General Revenue Fund. The fiscal benefit of eliminating this fund is questionable. There is some psychological benefit to the accumulation of money in some limited special funds so they can be called upon in case of cash emergencies in the General Revenue Fund.

Are There Too Many Funds? Some Additional Considerations

This cursory review suggests some additional reasons why great care should be taken in the abolition or consolidation of State Special

funds. The existence of State Special funds does insure that if the expected special fund moneys are not received, then these programs remain unfunded. If some Special State funds are abolished and transferred to General Revenue, or if only their balances are shifted to General Revenue, there undoubtedly will be an increase in the General Revenue Fund balance, but for how long? This balance may decline and programs financed from user fees also would be in jeopardy as are those programs now funded out of General Revenue, thereby potentially removing any user benefits from these fees.

Earmarking user fees may make it more palatable to enact taxes for specific purposes. Users request a service that the general public does not want; only the users should pay and only the user should benefit directly. Beneficiaries and users are related in this general case, but that does not mean that all taxes should be user fees or that all user fees should be returned to users in the form of benefits. For example, when bingo was legalized, half the revenues generated were allocated to the Mental Health Fund and half to the Common School Fund. Although bingo revenues are not related to the activities of either fund, passage was tied to the stipulation that State bingo-related revenues go to the Mental Health and Common School funds. The passage of legislation legalizing bingo was the result of a series of political judgments culminating in a public policy decision.

The importance of political judgment places the question of earmarked funds in a broader context. Public policy is the result of political tradeoffs resulting in legislative decisions. Decisions to abolish or consolidate funds depend on legislative reassessments of prior commitments of State resources. These kinds of policy decisions do not flow from accounting criteria. Thus, while there are many considerations (user fees, constitutional requirements, and public visibility, for example) which lead to the establishment of many funds, it is not clear how many funds there should be even by accounting criteria.

A large number of funds does not inhibit legislative control. A better approach is to ask which funds are unnecessary and then attempt to abolish them. Other funds may be controlled more easily through the appropriations process. Specific examples of this technique of control are analyzed in the next four chapters.

SECTION II

RESOLVING PROBLEMS OF CONTROL THROUGH THE APPROPRIATIONS PROCESS

The next four chapters explore several recent problems of control confronting the General Assembly. These problems are related to federal aid and nonappropriated funds as well as to public funds in general and university locally held funds in particular. Each chapter analyzes the amount of money contained in the funds and legislative attempts to control their receipt and expenditure.

IV. FEDERAL AID

Federal aid accounts for a large portion of total State resources, nearly one out of every five dollars. It has increased from $400 million in FY 1966 to almost $2 billion in FY 1976, an increase of 400%. The FY 1976 level represents a 24% increase from the FY 1975 level of $1.6 billion. Federal aid accounted for 17% of total receipts in FY 1975 and 18% in FY 1976.

However, the potential impact of federal aid goes far beyond dollar figures. Sometimes the State is left to fund programs the federal government initiated--programs the State would not have started by itself. If the Governor involves the State in a federal program and the federal share is later decreased, the legislature must decide whether to continue the program with General Revenue funds. The lack of information concerning how much the State will end up paying when federal support is reduced or eliminated makes the decision difficult. The decision is complicated further because the program has developed client and provider groups which support its continuation. Sometimes the legislature is not even aware of the program's existence since programs are often buried within ongoing programs or divisions. This problem is aggravated by the tendency of each agency to request an increase in its appropriation from the General Revenue Fund by underestimating federal grant receipts.

The existence of federal aid complicates the processes whereby the General Assembly can monitor the amount of federal aid coming to the State, control its expenditure, maintain accountability, and make choices between programs in the face of uncertain economic conditions.

These choices are made more difficult by the gradual shift from categorical to block grants.[1] Categorical grants are usually specific in scope, *limited in discretion*, and geared primarily to specialists in State and local government. The Ford Administration's proposal for block grants would have permitted the largest degree of flexibility in the use of federal funds that the states have experienced to date. This potential shift in the form of federal aid makes it all the more important the General Assembly monitor the receipt and expenditure of federal aid.

Monitoring the Receipt and Expenditure of Federal Aid

The difficulties in tracing financial activity related to federal aid grow out of at least two factors: (1) broad executive

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[1]Block grants offer policy makers at State and local levels *more discretion* in determining their needs and goals.

discretion concerning budget format and (2) the relationship between appropriations bills, the Comptroller's Uniform Statewide Accounting System (CUSAS), and the Illinois Revised Statutes.

The Governor and his budget director have considerable discretion in determining what fiscal information is contained in the budget. Information may not be consistent from year to year or from administration to administration, making it difficult to determine changes in the amount of federal aid. Nonappropriated financial resources--which include some federal aid--are usually listed in the budget by trust fund. Unless the trust fund is earmarked, it is difficult to determine specifically how these nonappropriated funds are used. Total nonappropriated fund expenditures were $2.5 billion for FY 1975 and $2.1 billion for FY 1976, some of which is federal aid.

Statutory authority for State agencies to *use* federal aid is dispersed throughout the Illinois Revised Statutes. Virtually every chapter contains some reference to federal money, usually in the form of an authorization for an agency to *accept* and *use* it. One statute provides general statutory authority for *receipt* of federal aid, designating the Treasurer *ex officio* custodian of federal aid granted to the State under eight specific federal laws and under "any other law of the United States." In fact, the IEFC staff could find *specific* statutory references for only six of the 114 federal trust funds.

The primary source of information about federal aid is the Comptroller's CUSAS system. It is the responsibility of the Comptroller to assess the legality of each expenditure for federal aid using three documents: (1) the Constitution, (2) the Illinois Revised Statutes, and (3) the appropriations acts.

The CUSAS reporting system is set up almost identically with the detail contained in the appropriations acts. Thus, CUSAS provides separate figures for each State agency and division for which moneys are appropriated separately. In addition to this detail, agencies report expenditures by line item, such as Personal Services, Contractual Services, and Travel, which results in detailed information about the specific kinds of activities supported by State funds and federal aid, respectively.

Since the Comptroller is concerned only that expenditures from a particular line item do not exceed the amount appropriated for that line item and that money spent from each line item is used for eligible purposes, the CUSAS system appears to meet the needs of the Comptroller fairly well.

The General Assembly shares the Comptroller's needs, but it also needs to know the relative amounts of federal funding received and consumed by each agency and what policies each State department is pursuing with its federal money.

The sources of federal funds are not identified by federal grant. The source of a federal fund might be the Department of Health, Education, and Welfare, but the fund itself may be composed of numerous grants, one for children, another for day care, and a third for the aging. Grants may be used for one program or for a mix of programs thereby making it difficult to hold a governor or agency accountable for these expenditures. It is possible for a governor to continue programs despite the expiration of grant moneys. He can alter the name of the program, substitute another grant, and leave the program essentially unchanged. This problem of gubernatorial discretion could be alleviated by assigning each federal grant to a separate fund and appropriating federal funds.

Federal aid permits an agency great discretion on distributional questions. The FY 1976 appropriation for the State Board of Education includes $211 million in federal funds. There are individual breakdowns which cite federal programs as purposes of expenditures, but the agency has great discretion about *how* and *where* it distributes these funds, as long as they are consistent with the law. Appendix IV-A contains the federal funds section of the State Board of Education appropriation bill for FY 1976.

The problems created by grants are not limited to Illinois. In Pennsylvania, the Board of Probation and Parole requested 130 new positions to decrease the caseload of their parole officers. After hearings were held by the House and the Senate, the request was denied. But when the following year's budget was considered, there were 130 new parole officers, all State employees and members of the State retirement system. These positions were funded with a Law Enforcement Administration Agency grant which expired after four years. In this past year's budget deliberations, the Pennsylvania General Assembly was faced with funding 117 of these positions by replacing the LEAA grant with State money or laying off that many parole officers. All of this occurred after the General Assembly specifically refused to approve the increase in staff.

These problems are closely related to the description of the kind of information now available to the legislature. The next section describes the sources and use of federal aid which can be monitored.

Sources and Use of Federal Aid

Federal aid is deposited in a variety of funds in the Treasury (see Tables IV-1 and IV-2). Federal reimbursements for Public Aid expenditures--about $956 million in FY 1976--are deposited in the Public Aid Trust Fund (categorized by the Comptroller as a federal trust fund) and transferred to General Revenue. Federal aid for highway construction and highway safety programs--about $383 million in FY 1976--is deposited in the Road Fund and the Highway Safety Fund (both classified as highway funds). Federal revenue sharing funds--about $106 million in FY 1976--

are deposited in the Federal Fiscal Assistance Fund (a "general purpose" fund) and transferred to the Common School Fund.[1]

Table IV-1. Federal aid receipts by CUSAS fund group, FY 1975 (dollars in thousands).

Fund Group	Amount[a]	Percent of Total	Number of Funds
General Revenue	$ 107,898	6.8%	2
Highway	224,510	14.0	2
Special State	2,297	0.2	4
Federal Trust	1,251,969	78.2	72
State Trust	13,313	0.8	6
Total	$1,599,987	100.0%	86

[a]Includes only direct receipts from the federal government.

Source: Compiled from Comptroller's Reports, FY 1975.

Table IV-2. Federal aid receipts by CUSAS fund group, FY 1976 (dollars in thousands).

Fund Group	Amount[a]	Percent of Total	Number of Funds
General Revenue	$ 107,313	5.4%	2
Highway	383,183	19.2	2
Special State	3,811	0.2	3
Federal Trust	1,469,978	73.7	66
State Trust	31,487	1.5	6
Total	$1,995,772	100.0%	79

[a]Includes only direct receipts from the federal government.

Source: Draft, Comptroller's Annual Report, FY 1976.

[1]There will be an increase in federal aid for FY 1977 due to the new Public Works Employment Act. This countercyclical revenue sharing program, which is funded only from July 1976 to September 1977, will provide the State with about $13 million in FY 1977 and will be transferred to the Common School Fund.

The easiest way for agencies to account for federal money is through the creation of new funds. Almost half of all funds in the Treasury are federal trust funds. As shown in Table IV-3, 134 federal trust funds were used for expenditures in FY 1976, and 126 were used in FY 1975 (Table IV-4).

Table IV-3. Federal trust fund expenditures by State agencies, FY 1976 (dollars in thousands).

Number of Agencies	Number of Funds[a] Used by Each Agency	Total Expenditures
1	15	$183,257
1	9	20,625
1	8	8,119
2	6	76,258
5	5	29,912
4	4	326,670
5	3	53,056
11	2	88,551
12	1	2,400
42	134	$788,848

[a]There are only 100 actual funds. Some agencies share the use of one or more funds.

Source: Comptroller's Report Number 4, June 28, 1976.

Twelve State agencies used one federal trust fund each in FY 1976, while the Illinois Office of Education (IOE) used fifteen different funds, five more than in FY 1975. Expenditures from fifteen IOE funds accounted for 23% of all federal trust fund expenditures in FY 1976. The present arrangement allows agencies to fund each federally sponsored program from a separate fund. As shown in Table IV-3, 30 State agencies used more than one federal trust fund to finance their FY 1976 activities.

Table IV-4. Federal trust fund expenditures by State agencies, FY 1975 (dollars in thousands).

Number of Agencies	Number of Funds Used by Each Agency	Total Expenditures
1	10	$191,843
2	9	25,240
2	7	18,566
2	6	16,194
3	5	83,369
2	4	12,169
8	3	49,609
5	2	27,083
15	1	39,434
40	126	$463,507

Source: Comptroller's Report Number 4, June 29, 1975.

Information regarding the *use* of federal aid is incomplete for a number of reasons:

(1) The relevant Comptroller's report (see Appendix IV-B) lists cash receipts by source and fund. The category "federal government" lists all funds which receive federal aid directly, including federal trust funds, general purpose funds, State trust funds, and special State funds. The same report uses other broad categories as sources, such as federal money received via local governmental units and federal money via other Illinois State agencies. In each example the receipts of federal dollars are not identified by federal program.

(2) Interagency grant agreements often result in the mixing of State matching funds with federal funds.

(3) Expenditures are identified by trust fund, and not all federal money is placed in a federal trust fund.

(4) The Comptroller's Office defines federal trust funds as "those funds established pursuant to grants and

contracts between State agencies and the United States." To qualify as a federal trust fund, the CUSAS manual states that "money must come solely from the federal government."

The Comptroller's Office also classifies some funds as federal trust funds even though their source of money is not the federal government. Table IV-5 shows the sources and receipts into 100 federal trust funds which received deposits in FY 1976. There were 39 instances where a fund received money from multiple sources. In 1975, there were receipts into 120 different federal trust funds with 54 overlaps.

Table IV-5. All receipts into federal trust funds, by source, FY 1976 (dollars in thousands).[a]

Sources	Amount	Percent of Total	Number of Funds
Federal			
Federal government, direct	$518,519	94.7%	72
Federal government via Illinois State agency	17,873	3.3	33
Federal government via Illinois local government	5,933	1.1	4
Federal government via other states	248	0.0	5
Other			
Other Illinois State agencies	150	0.0	3
Local government units	2,015	0.4	2
Other sources	2,597	0.5	20
	$547,335	100.0%	139[b]

[a]Excludes Public Aid Trust Fund.
[b]Total will not add to 100 since some funds receive deposits from more than one source.

Source: Compiled from Comptroller's Report Number 507, June 30, 1976, FY 1976.

While direct federal aid accounts for 95% of receipts into these funds, about $24 million come in the form of subgrants, or "pass-through" money, through other State agencies, local government units, and other states. In FY 1975, direct federal aid accounted for 93% of total receipts, with $27 million coming from subgrants (Table IV-6).

Subgrants provide an illustration of how federal funds can mortgage a state's general revenue fund and how difficult it is to anticipate such an event. An agency receiving a subgrant may deposit the money in a nonappropriated account (see Chapter V). This money can be used to initiate a program which the General Assembly might not approve. When federal funds are terminated, expenditures are shifted to the General Revenue Fund. These expenditures frequently occur with regard to particular projects within an agency that may not be itemized within the budget.

Table IV-6. All receipts into federal trust funds, by source, FY 1975 (dollars in thousands).[a]

Sources	Amount	Percent of Total	Number of Funds
Federal			
Federal government, direct	$449,966	92.8%	71
Federal government via Illinois State agency	20,054	4.1	37
Federal government via Illinois local government	2,202	0.5	4
Federal government via other states	4,612	1.0	3
Other			
Other Illinois State agencies	266	0.0	5
Local government units	3,136	0.6	2
Other sources	4,882	1.0	52
	$485,118	100.0%	174[b]

[a]Excludes Public Aid Trust Fund.
[b]Total will not add to 120, since some funds receive deposits from more than one source.

Source: Compiled from Comptroller's Reports, FY 1975.

Other Sources of Data

A source of post expenditure data on grants comes from surveys of the Illinois Commission on Intergovernmental Cooperation (CIC). These surveys contain information on formula entitlements, expenditures, and cash receipts of federal funds. The CIC identified 249 federal grant programs across 45 agencies. The money received from these grant programs was deposited in 86 funds in the Treasury. This information is difficult to gather accurately since one grant can go to several projects or several agencies, and often the money is received by one agency and subgranted to others. This leads to difficulty in tracking which grant money is used for which project. The CIC could not reconcile federal aid receipts for FY 1975 when it compared the information it gathered from the agencies themselves, the Bureau of the Budget, the Comptroller, and the State Treasurer.

Unfortunately, the survey data are not available on a timely basis since many agencies either do not supply the necessary information or are slow to comply. The survey then is ineffective as a tool to estimate current and anticipated federal grants, since the document for the previous fiscal year is not available until after the new fiscal year has begun.

This lack of information hampers appropriations deliberations since the legislature cannot tell whether an additional request will be used for a workload increase, pay increases, fuel increases, or new programs. The legislators then must take the brunt of political criticism if they decide to cut off funds, resulting in loss of employment and cessation of benefits to those affected by the program.

The Cost of Federal Aid: The Experience of Other Legislatures

It is difficult to estimate the *costs* of federal aid. In FY 1977, Illinois will spend over 10% of the State budget to meet the minimum match requirements for participation in federal programs. This does not include direct and indirect State operating costs. The overall matching rate (ratio of State funds to federal funds) is 40%, and it is 50% for the expensive public assistance and medical assistance programs.

The problem of cost can be overcome if the legislature exerts control at the most important point--before the money is spent. A survey of state legislatures by the Advisory Commission on Intergovernmental Relations (ACIR) reports that about one-fifth of the state legislatures do not appropriate federal grants; another one-third include only some of the grants in appropriations bills. In those states where federal aid is appropriated in whole or in part, only one-third permit federal grants to be spent in excess of the amounts appropriated.

The range of controls exercised over federal funds by the different states is due to differing interpretations of legislative functions. Under the separation of powers, control of the purse strings is a legislative responsibility. However, there are different interpretations which define the boundaries of legislative control. The issue is being debated nationwide in the courts.

In Minnesota, all requests by an agency to use federal funds must be submitted first to that state's equivalent of the Bureau of the Budget where they can be approved, disapproved, or amended before submitting them to the proper federal authority. When the federal agency approves such requests, the state agency must resubmit them to the Department of Administration for recording. However, the legislature has no formal control over federal fund receipts or expenditures, although this does not mean the legislature does not influence the use of federal funds. Since the Minnesota legislature is overwhelmingly dominated by the Governor's party, informal restraints may be a more effective control mechanism.

A more stringent requirement would be that no federal grant could be spent without an appropriation by the legislature. North Dakota, Oregon, Michigan, and a few other states maintain this requirement. In fact, an agency in Oregon must receive legislative approval before submitting a grant proposal to the federal government.

Recommendations

More precise information is needed on how much federal aid is received and where it is spent. It is recommended that the statutes require all federal grant applications to be sent to the Bureau of the Budget and the Commission on Intergovernmental Cooperation whenever federal funds are applied for. The CIC is designated the legislative branch's State Central Information Reception Agency under the federal Intergovernmental Cooperation Act of 1968. However the Commission does not receive the required notification on each grant. It is further recommended that the statutes require the Bureau of the Budget to approve all requests of agencies under the Governor before the grants are applied for. At the present time, a division can apply for a federal grant without the knowledge of the director of the agency.

It is also recommended that information on programs in which a change in federal aid has taken place or is anticipated should be made available to the appropriations staffs of the legislature. It is particularly important to know when federal aid will decline, resulting in a possible increase in the expenditure of State funds. The decision to initiate, continue, or discontinue a particular federal-State program cannot be made rationally by the legislature unless the anticipated State costs in financing the program are known for both the short and long run.

One of the difficulties in gathering information about these costs is that agencies frequently deposit money in nonappropriated accounts. Spending from these accounts is not subject to the same kind of legislative scrutiny which occurs during appropriations hearings. Legislative control of nonappropriated funds is the subject of the next chapter.

V. NONAPPROPRIATED FUNDS

The General Assembly has not been reluctant to use the techniques of control available in the appropriations process, but these techniques are not applicable to funds which are not appropriated such as university locally held funds and certain federal and State trust funds. Spending from these nonappropriated funds may involve the State in future obligations without legislative authorization. This chapter discusses spending from nonappropriated funds, how nonappropriated funds are established, why agencies use these funds, what kinds of control problems arise, and how these problems might be resolved.

Expenditures from Nonappropriated Funds

The amount of nonappropriated spending gives some indication of the impact these expenditures can have on State finances. Receipts into the 74 federal trust funds which were used but not appropriated in FY 1976 amounted to almost $989 million (see Table V-1). Comparable receipt figures for FY 1975 are 79 funds and $836 million in receipts. One of the nonappropriated funds is the Public Aid Trust Fund, which had receipts of $804 million in FY 1975 and $952 million in FY 1976. It is used for the deposit of federal reimbursements which are then transferred to General Revenue. Since no expenditures are made from this fund, it is excluded from this analysis. Receipts into the other 73 nonappropriated federal trust funds amounted to almost $38 million in FY 1975 and $37 million in FY 1976.

Table V-1. Nonappropriated funds by fund group in the Treasury, FY 1975 and FY 1976 (in millions of dollars).

Fund Group	Number of Funds		Receipts		Expenditures	
	FY 75	FY 76	FY 75	FY 76	FY 75	FY 76
General Purpose	1[a]	1	$ 110	$ 197	$ 0	$ 0
State Trust	50	44	2,510	2,079	2,511	2,123
Federal Trust	79[b]	74[c]	836	989	38	37
Totals	130	119	$3,456	$3,265	$2,549	$2,160

[a]This is the Federal Fiscal Assistance Fund. All disbursements from this fund were transfers to General Revenue, not expenditures.
[b]All disbursements from the Public Aid Trust Fund were transfers to General Revenue, not expenditures.
[c]Includes 21 funds dissolved during FY 1976.

Source: Comptroller's Reports No. 508, June 30, 1976, and No. 1, September 30, 1976.

Subgrants of federal money account for approximately one-third of the funds' receipts in FY 1976, as shown in Table V-2. This represents a change from FY 1975 when subgrants accounted for more than one-half of fund receipts. This suggests a shift toward more direct federal funding.

Table V-2. Nonappropriated federal trust funds receipts by sources, FY 1975 and FY 1976 (dollars in thousands).

Source	Amount		Percent of Total		Number of Funds	
	FY 75	FY 76	FY 75	FY 76	FY75	FY76
Federal money						
Federal government, direct	$11,345	$15,226	32.8%	56.2%	32	17
Federal government via Illinois State agency (subgrants)	17,452	9,421	50.4	34.8	29	22
Federal government via other states	9	14	0.0	0.0	1	2
Federal government via local government units	335	32	1.0	0.1	2	1
Other						
Other state agencies	179	70	0.5	0.3	2	2
Local government units	3,617	2,015	10.4	7.4	1	2
Other sources	1,677	307	4.9	1.1	21	5
Total	$34,614	$27,085	100.0%	99.9%	88[a]	51

[a]Total will not add to 78, since some funds receive deposits from more than one source.

Source: Comptroller's Reports No. 508, June 28, 1975 and June 30, 1976.

Table V-3 shows spending from these funds by category. Virtually all spending is for operations or awards and grants--purposes for which appropriations are usually required.

Table V-3. Nonappropriated federal trust fund expenditures by category, FY 1975 and FY 1976 (dollars in thousands).

Category	Amount		Percent of Total	
	FY 1975	FY 1976	FY 1975	FY 1976
Operations	$33,876	$21,302	88.0%	62.5%
Awards and Grants	3,113	12,774	8.1	37.5
Permanent Improvements	1,094	0	2.8	0.0
Refunds	429	27	1.1	0.0
Total	$38,512	$34,103	100.0%	100.0%

Source: Comptroller, Report No. 3a, September 30, 1975 and 1976.

The other group of nonappropriated funds in the Treasury is State trust funds. The 45 nonappropriated State trust funds may be classified by purpose into four groups (see Table V-4).

Table V-4. Nonappropriated State trust funds by purpose, FY 1975 and FY 1976 (dollars in thousands).

Purpose	Number of Funds	Receipts	Expenditures
FY 1975			
Employee Services	11	$1,142,257	$1,141,850
Financial Adjustment	8	356,067	326,119
Capital	10	232,866	224,280
Special Services or Projects	21	778,477	819,000
Total	50	$2,509,667	$2,511,249
FY 1976			
Employee Services	11	$1,321,997	$1,314,763
Financial Adjustment	11	444,706	523,770
Capital	10	266,620	265,884
Special Services or Projects	13	45,276	15,743
Total	45	$2,078,599	$2,120,160

Source: Comptroller's Reports No. 508 and No. 1 for FY 1975 and FY 1976.

Employee services. These funds contain moneys which do not belong to the State.

Financial adjustment. These funds hold money which may not legally belong to the State since they consist of either disputed payments or money earmarked for automatic dispersal to another government unit.

Capital. The ten nonappropriated State trust funds in the third group were set up to avoid the 1870 Constitution's restriction of $250,000 on State general obligation debt.

Special services or projects. The funds in the fourth group are used for purposes which normally receive appropriations. Some examples are the Morrill Trust Fund, Surplus Property Utilization Fund, and the Public Assistance Recovery Trust Fund. Only about $19 million of over $2 billion in expenditures from nonappropriated State trust funds contain State moneys which might be brought under the appropriations process. These special services or projects do not share any of the characteristics of the other three State trust groups. A detailed listing of these funds is provided in Appendix V-A.

In addition to the funds in the State Treasury, many funds have been established by agencies outside the State financial reporting system. Nearly all locally held accounts have been established under agencies' powers to accept gifts, awards, donations, and bequests. In addition, agencies can establish and maintain temporary trust funds or bank deposits with the approval of the Governor and Comptroller for up to four years. Four years seem too long to be "temporary," and it is recommended that the Finance Act be amended so that no account could exist for more than one fiscal year (a budget cycle) without legislative approval.

As shown in Table V-5, in 1974 these funds hold almost $1.3 billion outside the Treasury.

Table V-5. Funds held outside the Treasury (dollars in millions).

State Board of Investment	$ 375	Board of Governors	$ 17
Department of Labor	333	Housing Development Authority	8
University of Illinois	235	Department of Corrections	7
Southern Illinois University	157	Department of Mental Health	5
State Universities' Retirement System	95	Department of Children and Family Services	3
Board of Regents	50		
		Total	$1,285

Source: Survey conducted by BoB and Appropriations Committees, November 1974.

The 1976 figures (Table V-6) are not strictly comparable to the 1974 survey, but the detailed 1976 data emphasize the amount of funds held outside the Treasury. The FY 1976 figures are listed in declining order of receipts. A more detailed breakdown is provided in Appendix V-B.

Table V-6. Agency locally held fund report for the year ended June 30, 1976 (dollars in thousands).[a]

	Receipts	Expended	Cash & Investment as of 6/30/76
University of Illinois	$373,711	$370,703	$ 54,008
Southern Illinois University	140,629	144,251	29,402
State Universities' Retirement System	110,412	40,759	564,619
Illinois State Board of Investments	73,895	--	580,994
Board of Regents	62,123	57,896	18,547
Board of Governors[b]	48,941	45,634	22,456
Department of Corrections	3,158	3,147	361
Mental Health and Developmental Disabilities	2,781	2,790	518
Local Government Affairs	937	827	--
Illinois Health Facilities Authority	885	772	60
Metropolitan Fair and Expositions Authority	506	505	257
Law Enforcement	451	388	76
Children and Family Services	418	413	322
Capital City Railroad Relocation Authority	377	334	28
Military and Naval	138	124	14
Illinois Bicentennial Commission	124	134	30
Agriculture	66	89	720
Secretary of State	48	48	--
Illinois Educational Facilities Authority	38	22	32
Illinois Special Events Commission	21	22	281
Industrial Commission	16	13	6
Financial Institutions	12	3	73
Attorney General	2	1	1
Commission on Children	1	--	37
Illinois Legislative Investigating Commission	--	8	3
Total	$819,690	$668,883	$1,272,845

[a]A more detailed breakdown of the composition of these figures is provided in Appendix V-B.
[b]Excludes Chicago State which did not comply.

Source: Comptroller's Office.

How Nonappropriated Funds Are Established

When an agency receives federal money, it must establish an account with the Comptroller. The Comptroller's Office allows agencies to follow one of two options in depositing federal aid into a federal trust fund: (1) they may request establishment of a new fund, or (2) they may request establishment of a subaccount with an existing federal trust fund for new deposits.

An agency can request that federal funds be deposited in either an appropriated or nonappropriated account. However, the Comptroller requires that certain criteria be satisfied before a nonappropriated account is established. Nonappropriated expenditures are permissible if (1) the money is spent for purposes and/or resources which were *not appropriated* by the General Assembly, (2) the spending of resources *does not commit* the General Assembly to provide State "matching" resources, (3) the General Assembly has not specifically *denied the purpose*, and (4) the agency has the statutory authority to carry out the program. These guidelines were included in the CUSAS manual for the first time in 1976.

A nonappropriated fund can be set up if there is no "hard cash match" commitment by the State and an "advance" (seed money) is obtained from the federal government to start the program. The third criterion, specific denial of purpose, is not used to justify denial of a nonappropriated account. The only way the Comptroller can determine if a program is denied funding is to follow the appropriations bills. The only time specific legislative intent is demonstrated is when there is a change in an appropriation bill or if the appropriation for a specific purpose is reduced to an amount insufficient to carry out a specific purpose. The FY 1977 appropriation bill for the Law Enforcement Commission states in Section 5(a) that "from all other federal grants received, $1 is appropriated from the Criminal Justice Trust Fund for operations, implementation grants, and discretionary grants for use by State agencies." In this instance, the Comptroller will not honor a request for the establishment of nonappropriated accounts to expend money for the above purposes.

In addition to the above criteria, agencies must submit (1) a copy of the grant program (or other appropriate document) which identifies the financial arrangements agreed to by the State agency and the grantor, and (2) a copy of the State statute which allows the agency to conduct the activities of the program.

Why Agencies Use Nonappropriated Funds

One advantage of an agency using a nonappropriated fund is that these expenditures tend to escape the formal review process of the legislature. This permits an agency to compete for additional General Revenue Funds or to maintain its General Revenue funding by understating its federal resources. Agencies also have considerable discretion in determining how the funds are spent and a low probability of legislative oversight after they are spent.

This problem is compounded because the Comptroller does not maintain a record of the unobligated and unspent balance for a nonappropriated fund as is done for appropriated funds. Neither balance is maintained for nonappropriated expenditure authority accounts since the only limit is revenues received. It is difficult for the legislature to review the use of these federal funds and to compare current year to previous year spending.

The Department of Corrections' nonappropriated Special Purpose Trust Fund, for example, receives federal grants for a wide variety of purposes and finances several programs. This fund contained money for FY 1977 from the Law Enforcement Assistance Administration (LEAA), part of which requires an in-kind match and a General Revenue match, as well as a discretionary grant from LEAA. This State trust fund also received several separate grants under the Federal Educational Vocational Rehabilitation Act. The Special Purposes Trust Fund also receives money from the Comprehensive Employment Training Act. Expenditures are not recorded by programs, so it is difficult to determine how much is spent for one particular program.

The primary control over such expenditures from nonappropriated funds is the Auditor General's financial or compliance audit, which basically determines if the expenditures were properly charged. Management audits and program audits are not yet carried out in a fashion which can determine how and for what purposes and programs these funds were spent. In any case, there may be a year or two delay before a financial review is undertaken. Since the fund is not appropriated, the legislature has no legal control over specific expenditures from these funds.

In the case of locally held funds there is a possibility the funds will be used for purposes not intended by or known to the General Assembly.

In addition, it is possible for an agency to draw a warrant on an appropriated fund made payable to a locally held fund. Several universities (Illinois State at Normal, Eastern Illinois at Charleston, and Western Illinois at Macomb) constructed homes for their respective university presidents using appropriated funds to provide university-established foundations with capital (see Chapter VII). The conversion of appropriated funds to nonappropriated status can mean converting some line items, such as Contractual Services, to some other purpose. At the very least, this change evades the two percent transfer limitation. It is recommended that the statutes be amended to prohibit the conversion of money from appropriated to nonappropriated status.

Two bills (HB 2405 and SB 1109) were introduced in the 1975 legislative session to require the appropriation of all federal funds used by State agencies. HB 2405 included universities, while SB 1109 exempted them. Federal funds are awarded directly to universities, which

are authorized by the State Finance Act to keep "local" accounts which are not appropriated. Most universities derive as much as 80% or 90% of their support from General Revenue. However, one university received about half its resources from nonappropriated sources and half from the General Revenue and Income funds. This federal aid includes research grants and contracts between the federal government and the universities.

The University of Illinois' amicus curiae brief for *Kirk v. Lindberg* asserted that any requirement that federal funds be appropriated should not include universities. The brief argued that appropriations were not required for federal land grant funds, that expenditures by universities from their own treasuries are not expenditures "by the State" within the meaning of the 1970 Constitution, and that funds held locally by universities (as well as federal land grant funds) are not "public funds" within the meaning of the 1970 Constitution.

The question of what is a public fund cuts across all agencies, including universities. It goes to the heart of the legislature's constitutional responsibility to make appropriations and to oversee their expenditure. Public funds and constitutional responsibilities are discussed in the next two chapters.

VI. PUBLIC FUNDS

The General Assembly is constitutionally required to decide appropriations for all State expenditures of public funds. It has the power to decide if funds are appropriated and what the spending ceilings are to be. The General Assembly clearly possesses both the authority and the willingness to control State spending of public funds. However, since it is not clear what comprises the category of public funds, the scope of General Assembly controls over State spending is unclear.

Article VIII, Section 2(b), of the Constitution states, "The General Assembly by law shall make appropriations for all expenditures of public funds by the State." The 1870 Constitution contained a similar provision. The term "public funds," although critical to the legal interpretation of what the General Assembly can and should appropriate, is not defined in the Constitution. However, it seems clear from Convention records that the term is intended to include any money which is received from the public or is to be spent for public purposes. The original section drafted by the Committee on Revenue and Finance reads:

> The General Assembly shall make appropriations for the expenditure of public funds. . . .

In explaining this, the Committee stated that it did not feel all funds would necessarily have to be appropriated. The Convention as a whole disagreed, and the present version was adopted on the floor without debate.

The public funds issue is confused further by obsolete statutory references to funds *not* subject to appropriation. Many of these references were adopted prior to the 1970 Constitution. The persistence of these references only confuses the public funds issue.

The general statutory authority in the State Finance Act for the existence of nonappropriated funds in the Treasury says:

> All public funds received or held by any State agency as defined in Section 7 of the "State Comptroller Act" and not subject to appropriation, except funds required to be held or directly administered by a State agency pursuant to (a) any Act in relation to revenue bonds, (b) any bond indenture or other legally binding bond contract, (c) limitations legally imposed by the source of such funds, or (d) another statute, shall be paid over to the State Treasurer within 10 days of their report or July 1, 1974, whichever is later, and shall be held by the State Treasurer in a special fund for such agency. The Comptroller shall set up and maintain accounts for

such funds as may be appropriate, in conformity with the "State Comptroller Act" and the rules and regulations adopted under that Act. Payments out of such funds shall be made by the Treasurer only upon warrant drawn and presented by the Comptroller in compliance with the "State Comptroller Act."

Two other terms, "the State Treasury" and "funds held by the State Treasurer," are used to identify public funds. These terms also are not defined and are of little use in trying to distinguish public from nonpublic funds.

The Treasurer is the official designated by statute as the custodian for all "public funds." Sometimes the State Treasurer holds funds which do not belong to the State, such as Social Security withholding. However, in some statutes--particularly in reference to federal moneys--the Treasurer is authorized to receive moneys but is instructed to hold them "outside the State Treasury." Judging from context, what these statutes imply is that the Treasurer must establish separate accounts for these funds. It is recommended that the statutes be amended to state that no funds may be held outside the State Treasury without legislative approval. Some funds now are appropriated, while others are not, and there do not seem to be any consistent criteria which can help differentiate between them.

Some State agencies argue that federal funds are not "public funds" within the meaning of the 1970 Constitution. They assert that the 1974 *People ex re. Kirk v. Lindberg* (59 Illinois 2d 38, 42-43) case supports this argument. Others argued in amicus curiae briefs that the sole power of appropriation resides in the General Assembly, and there can be no expenditure of public money without a legislative appropriation. Although arguments were presented on the public funds issue, the Illinois Supreme Court decided the case on other grounds.

Kirk v. Lindberg involved an FY 1975 appropriation bill which prohibited an agency from spending more than the amount appropriated from federal trust funds. The General Assembly specifically forbad expenditure of additional funds except subject to later appropriations. The specific federal funds involved were reimbursements--money which the State spent first from General Revenue. These reimbursements are available for use by the State in the same manner as any other General Revenue received by the State. Nevertheless, there are still State agencies, particularly universities, which spend funds which are not appropriated.

There is no statutory or constitutional provision which distinguishes public from nonpublic funds. However, that does not mean that the question of what should be appropriated need be paralyzed by the lack of a public funds definition. It is reasonable to assume that over time, as a direct result of its oversight activities, the legislature

will expand the appropriations process to include previously nonappropriated funds. In a sense, public funds are whatever the legislature appropriates. Without explicitly defining public funds, the General Assembly has already appropriated more funds. Agencies which use nonappropriated funds, including the universities, recognize that it is well within the powers of the General Assembly to eliminate all statutory references to nonappropriated funds. For example, the University of Illinois amicus curiae brief on the original petition of writ of mandamus in *Kirk v. Lindberg* acknowledges that the General Assembly has the power to amend existing statutes relating to the financing and other aspects of public higher education. This action seems particularly important and timely in light of the universities' ability to commit the State to certain financial arrangements without the State's authorization (see Chapter VII). The subject of university locally held funds is discussed in the next chapter.

VII. CONSTITUTIONAL IMPERATIVES AND THE UNIVERSITIES

The Constitution places the responsibility for appropriations on the General Assembly even though statutory provisions in the Finance Act and the Revenue Bond Acts enacted prior to 1970 permit expenditures from nonappropriated funds, including locally held university funds.

The 1970 Constitution requires the General Assembly, in Article VIII, Section 2 (b), to "make appropriations for all expenditures of public funds by the State." This seems to be a clear constitutional requirement that all expenditures, including university spending, be from appropriations. This depends, of course, on whether state universities are "State agencies" and whether nonappropriated resources are "public funds."

The legislature must carefully exercise oversight and control of all State agency expenditures, particularly those with future year cost implications. State universities present a special problem because less control and oversight has been applied to them than to other State agencies. Very little detail is contained in their appropriations, and university spending generally has not stimulated extensive oversight.

State universities are exempt from the provision of the Finance Act that requires agencies to deposit promptly all public moneys into the State Treasury.[1] However, the Finance Act identifies which moneys the universities must deposit in the Income Fund in the State Treasury and which they retain in their treasuries. Tuition, laboratory fees, library fees, excess income from auxiliary enterprises, and all other nonexempt income must be deposited promptly into the appropriate university income fund held by the State Treasurer.[2] Excess income is: "Any income derived from such auxiliary enterprises or activities which is not necessary to their support, maintenance, or development. . . ." Endowment funds, gifts, trust funds, federal aid, and certain income from auxiliary enterprises are also held by the universities in their treasuries.

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[1]All departments of State government are guided in their fiscal operations by the State Finance Act. The Finance Act establishes fiscal practices that provide the legislature with information and control regarding agency expenditures.

[2]Auxiliary enterprises are self-supporting concerns (e.g., residence and dining facilities, book stores, health centers, unions, etc.) which are not directly related to instruction, research, or service organizational units but do support the overall objectives of the university. Auxiliary activities are also classified as self-supporting entities (e.g., hospitals, clinics, airports, etc.) which are not directly related to instruction, research, or service but also support the overall objectives of the university.

Universities hold additional funds locally by authority of the Revenue Bond Acts. Each of Illinois' four university systems is granted the authority to operate revenue bond projects and to provide for payment of the bonds. Each university has established a locally held fund to retire bonded indebtedness.

The balances held by universities in local or nonappropriated funds have reached significant levels (see Chapter V). In FY 1977, $340 million of the universities' estimated expenditures of $1 billion will be from nonappropriated funds. At the end of FY 1976, State universities held approximately $625 million in local accounts. The large balances associated with these nonappropriated funds cause concern because these moneys can be spent with very little legislative oversight or control. The ability to accumulate large balances in nonappropriated funds provides the universities with opportunities to act in ways that may conflict with legislative expectations. The universities may construct physical projects or establish programs with locally held funds when the legislature, given the opportunity, might not authorize such action.

State universities interpret provisions of the Finance Act in a manner that allows them to hold large balances in their nonappropriated funds. This interpretation has led to disagreements over the meaning of the Finance Act, and it seems to differ from legislative expectations regarding university compliance with the Act.

Problem Areas

The Auditor General and the Legislative Audit Commission recently criticized State universities for their policies concerning the retention and use of nonappropriated funds. The following examples illustrate the legislature's lack of control over university use of nonappropriated funds.

Universities under the Board of Governors and Board of Regents formerly retained locally all tuition from extension courses. This practice was challenged by the Auditor General, and subsequently most of the universities transferred these funds to the State Treasurer for deposit in their respective income funds. However, Northern Illinois University chose to retain $170,000 of its extension program tuition money in a local account. The $170,000 was eventually spent on the extension program without legislative approval. The Auditor General views this action as a failure to comply with the Finance Act which requires that income from tuition be paid promptly into the State Treasury "without any deduction whatever." The universities consider the charges from extension courses as contractual fees which may be deposited in their treasuries. The problem lies in the universities failure to identify fees for courses as "tuition."

The Finance Act requires that library fees be deposited into the appropriate income fund held by the State Treasurer. Nevertheless, Northern Illinois University and Southern Illinois University retain library fines in local accounts. These universities believe library fines are not library fees and, therefore, do not deposit them in the State Treasury. As in the previous example there is a need to clarify the meaning of various terms in the statutes.

At Sangamon State, one of the auxiliary enterprises is classified as "Farms." This farming enterprise spent $53,000 to help finance a cafeteria addition and $22,750 to establish a co-op housing account. The bookstore also spent $20,000 to help defray costs for the cafeteria addition. It appears that both the farming enterprise and the bookstore used excess funds when money was diverted for the expenses of other enterprises. It is the Auditor General's opinion that such excess funds should be deposited into the income fund in the State Treasury as required by the Finance Act.

Universities rarely admit to excess balances in their auxiliary enterprise or activity funds. This is due to the way the universities interpret *their* in this provision of the Finance Act. "Any income derived from such auxiliary enterprises or activities which is not necessary to *their* (italics added) support, maintenance, or development. . . ." Universities interpret *their* to mean all of the auxiliary enterprises and activities on campus. The universities operate under the policy that an excess balance exists only if all enterprises and activities combined show an excess. With this policy, locally held funds can be manipulated to prevent the discovery of excess amounts.

Interest income from the investment of locally held funds is sometimes commingled with other locally held funds to prevent the correct accounting back to the original fund, thereby making it impossible to determine which accounts have excess cash. In the Southern Illinois University treasury, cash and investments totaled about $36 million on June 30, 1975. A year-end audit found that university accounting procedures could not provide an adequate analysis of which accounts had excess cash and how much interest income was attributable to the investment of such cash. The Auditor General and the Legislative Audit Commission interpret legislative intent to mean that funds should not be transferred unless the enterprises have a logical and consistent relationship. If this procedure is adopted it will be possible to identify excess amounts that must be deposited into the State-held income funds.

The year-end audit at Southern Illinois University also identified several transfers of funds from accumulated interest income to finance what should be considered "general operational or educational purposes." These transfers included $200,000 for creation of the Bursar's Working Cash Fund, and approximately $87,000 were transferred to the

University Activity Account at Edwardsville. At Carbondale, $72,000 were transferred to the Stadium Account and $18,125 to the Medical Service Research Account. This transfer of funds is an example of one type of abuse that does occur in the present management of nonappropriated funds. Such transfers are in clear violation of the Finance Act.

The existence of nonappropriated funds provides universities with opportunities to commit the State to future financial liabilities. Locally held funds that should be considered excess and deposited in the State Treasury often are used to finance capital projects or programs without legislative approval. At the end of FY 1975, Northern Illinois University was holding $737,000 in local accounts to help finance a parking structure and $87,000 to contribute to a graduate student center. These funds should have been considered excess and deposited in the State Treasury. Instead, the funds were earmarked for capital developments that would commit the State to future liabilities in terms of building maintenance costs and associated personnel expenses. This problem indicates the need for a clear understanding of what is an "excess amount" and what should be considered "development" under the provisions of the Finance Act.

At the direction of the Legislative Audit Commission, the universities are now preparing a document of working guidelines that will clarify the ambiguities in the Finance Act. Definitions will specify what is "excess income," what is "tuition," and what is encompassed by "development." The development of operational guidelines will bring university fiscal operations into compliance with the expectations of recent General Assemblies.

The IEFC views the creation of the universities' working guidelines as a positive step. However, we believe that the guidelines alone will fall short of an acceptable solution for the General Assembly. Although the guidelines purport to correct the problem areas in university fiscal practices, they do not insure compliance. In addition, the legislature will still lack complete information concerning the extent of nonappropriated resources available to the universities.

Appropriating all of the university funds will satisfy some of the information and control requirements of the General Assembly. Centralized accounting through CUSAS will enable the legislature to obtain more information regarding all resources available to the universities. Armed with this information, the legislature will be in a better position to study the implications and consequences of their appropriations decisions. More importantly, the appropriations process will promote legislative oversight and allow legislative review of all proposed physical and program developments.

SECTION III

THE SPECIFICS OF LEGISLATIVE CONTROL

The first seven chapters examined legislative control of State financial processes and recent attempts of the General Assembly to resolve a number of problems related to control. This section describes in more detail some of the techniques used by the General Assembly as it goes about the difficult task of monitoring and regulating the State's fiscal condition. The next four chapters are the Timing of Budget Action, Budget Documents and Appropriations Bills, Appropriations Criteria, and Capital Budgeting and Appropriations.

VIII. TIMING OF BUDGET ACTION

This chapter examines three major questions related to the timing of the Governor's presentation of the budget to the General Assembly. First, it considers whether the current requirement permits the legislature sufficient time to consider the budget. Second, the chapter looks at the dates of the State's fiscal year, which runs from July 1 to June 30, since the federal government has changed to an October-to-September fiscal year. Third, the chapter discusses the issue of annual versus biennial budgeting.

Budget Presentation

Before 1969, the General Assembly's Budgetary Commission, whose members were drawn from the leadership of both houses, had access to departmental budget documents months before the Governor submitted his budget. The Commission reviewed agency budget requests and informed the Governor of their preferences prior to the announcement of his budget proposal. Since the Budgetary Commission was composed of politically influential legislators, their preferences were usually respected. Consequently, the Governor's April 1 budget was likely to reflect a series of compromises with the legislature.

Since the creation of the Bureau of the Budget in 1969 and the change to an executive budget, the legislature does not receive the budget until the Governor's message. The Governor's statutory deadline for submitting the budget was moved from April 1 to the first Wednesday in March.[1] The legislature's deadline (effectively June 30, the end of the fiscal year) has not changed.

After the Governor submits his budget, there is generally some delay before bills are introduced in the legislature. As shown in Table VIII-1, most of the 104 budgeted bills in 1975 were not introduced until late March or early April. The table does not include unbudgeted, supplemental, or transfer appropriations bills.

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[1] In almost every other state, the legislature receives the Governor's budget before March. Two-thirds of state legislatures receive their budgets by the end of January. However, other state legislatures operate under different constraints than Illinois. Many states still use biennial budgets. Furthermore, most state legislatures choose not to appropriate in detail as is done in Illinois. They give the executive board discretion in the means to implement programs. By the time the Illinois General Assembly completes its review of veto action, as long as nine months may have elapsed since the unveiling of the Governor's budget. Supplemental appropriations can be introduced at any time so the General Assembly is concerned continually with budget matters, unlike most other legislatures.

Some legislators and staff believe more time is needed for the General Assembly to consider the bills as a coherent State fiscal program. However, except for some legislative initiatives in this area in 1976 (see Chapter IX), the General Assembly does not transform the Governor's budget documents into appropriations bills. Instead it awaits the Bureau of the Budget's drafts of these bills.

Table VIII-1. Date of introduction of budgeted appropriations bills, FY 1976.

Dates	Number of Senate Bills	Number of House Bills	Total
Before March 1	1	2	3
March 1-15[a]	11	11	22
March 16-31	17	20	37
April 1-15	19	17	36
April 16-30	0	3	3
After April 30	1	2	3
Totals	49	55	104

[a]Governor's message delivered March 5.

Source: Legislative Information Systems; Legislative Reference Bureau.

Executive officials, however, argue that earlier submission of budget information would result in less accurate projections of needs and resources. They assert that the legislature would not use the additional time productively, claiming that the last-minute rush of floor action will occur regardless of when the budget is submitted.

Earlier access to the budget might allow appropriations committees' staffs more time for analysis and permit earlier scheduling of hearings, but it is not necessary to await the arrival of appropriations bills to analyze and evaluate State spending. Legislators do not need budget bills to assess whether an agency's spending is legal, effective, efficient, or in conformance with the policies of the General Assembly. If legislators were not oriented primarily toward appropriations bills,

they could review agency spending prior to the Governor's budget proposal.[1]

There seem to be at least three logical alternatives to the current timing of the budget presentation. One alternative is to allow legislators access to budget documents before the formal submission of the budget. A second option is to extend the deadline for legislative action on the budget, and the third possibility is to require the Governor to present the budget earlier.

Under the first alternative, agencies would give their budget request forms to the appropriations committees at the same time the Bureau of the Budget (BoB) receives them, or legislators or staff would attend BoB budget hearings. A 1974 report of the National Legislative Conference stated that 33 state legislatures have this kind of early access.

However, the nature of the politics surrounding the announcement of the Governor's budget would be altered under the early access suggestion. Early access could return Illinois to the pre-1969 situation where the budget could be either a joint executive-legislative proposal or a purely executive proposal, depending upon the Governor. If Illinois is to be an executive budget state, then the Governor should decide what proposals are made public for formal review by the General Assembly.

The second choice, changing the legislature's deadline, requires changing the dates of the fiscal year. There is little enthusiasm among either legislative or executive officials for a change to an August or September deadline, which could stretch peak legislative action into the summer months and decrease the time a legislator can spend in his district attending to the needs of his constituents.

The third possibility is to move up the Governor's deadline for submission of the budget and perhaps set an earlier deadline for introduction of budgeted appropriations bills. Requiring the Governor of Illinois to propose his budget in January would force him to decide what to propose for next year's budget when the current fiscal year is less than half over. It is easier to formulate a budget when the current budget is one-half executed than when it is only one-quarter completed. The budget formulation process is complicated by additional factors such as the lapse period, which extends three months into the next fiscal year, and the Governor's veto messages.

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[1]The legislature sometimes completes its review of gubernatorial veto action on appropriations as late as mid-December, almost the midpoint in the fiscal year. Thus the legislature sometimes devotes extensive portions of every year to the Governor's proposed budget.

There is also the problem of how a new Governor is to "put his mark" on the State's budget by mid-February. As it is now, a newly elected Governor inherits his predecessor's budget and can make only marginal changes.

Fiscal Year Dates

Under the 1974 Congressional Budget and Impoundment Control Act (PL-93-344), the federal government changed its fiscal year from a July 1-June 30 cycle to an October 1-September 30 period. Since federal spending has a large impact on State expenditure plans, the State fiscal year might also need to be changed.

In FY 1976, about $2.5 billion--or 23% of all receipts into the State Treasury--came from the federal government. While it might be desirable for Illinois to know how much federal money will be available before planning state expenditures, changing the dates of the State's fiscal year will not necessarily provide better information.

If State and federal fiscal years begin on October 1, and if the General Assembly waits for final Congressional action, then the State budget might not be completed until October 1. There is no guarantee that Congress can complete the budget process by the October 1st deadline. Very few major appropriations bills were passed before the next fiscal year began for the five fiscal years preceding the federal change. In the "trial" year, several major bills were still unfinished by mid-November.

If federal budget action were completed by October 1st, the State would not necessarily know precisely how much federal money it would receive, because then the federal bureaucracy's role in the process begins. Their calculation of the exact allocations for the major formula grant programs takes several months. Furthermore, a large part of the marginal changes in federal funding takes place late in the year, long after Congress has completed its role.

Substantial federal aid has not depended recently on annual federal authorizations. For example, in FY 1977, about 43% of federal aid to Illinois will be for Public Aid. Under these programs--such as Aid to Dependent Children and Medicaid--the federal government pays a percentage of cost, and the State knows these percentages well in advance. While Congress must appropriate these funds annually, State officials expressed no concern about this so-called "nondiscretionary" spending.

There is little concern among major State agencies that their operations will be hurt if Illinois and the federal government have different fiscal years. Only one of the fiscal officers of State agencies interviewed favored changing to the federal year, and this was only for accounting purposes.

Thus, there would seem to be no immediate reason for Illinois to change its fiscal year. If there is an increase in federal categorical programs tied to the annual budgeting process, if Congress meets its own appropriations deadlines, and if State agencies find that there are serious problems with incompatible fiscal years, then a change should be considered.

Annual versus Biennial Budgeting

Illinois operated under biennial budgets until July 1, 1969. Since that time, the State has had an annual budget, but many legislators are concerned that the change to annual budgeting has had some unintended adverse effects, notably increased spending. One official explained it this way: "Well, the lobbyists and special interest groups get twice as many shots at the legislature, and so more money gets appropriated."

The effect of annual and biennial budgeting on expenditures and appropriations is examined in Table VIII-2 and Table VIII-3. There do not seem to be major effects attributable solely to annual budgets. The analysis does not completely rule out such effects, but it does suggest that other factors--notably the enactment of the income tax in 1969 and the appropriation of federal funds--have been more important in contributing to the increase in State spending.

The budget period does seem to make some difference in terms of expenditure projections. Economic conditions change so rapidly that biennial revenue and expenditure estimates would be less reliable. In Illinois, the change from biennial to annual budgets has reduced the amount of supplemental appropriations as a percentage of total appropriations.[1] In the last year of biennial budgets, supplemental appropriations were 4.3% of total appropriations. The average for the first seven years of annual budgets was 2.9%, suggesting some improvement in the accuracy of expenditure estimates. These percentages would be less, particularly for the annual budget years, if Public Aid did not receive such large supplementals.

Legislative control is enhanced under annual budgeting by the requirement that each agency must justify its activities every year. Annual budgets should be retained because they provide annual opportunities for the legislature to review agency spending behavior and to reexamine priorities. Finally, annual budgets enable the same group of legislators at least one opportunity to review an agency's spending plans and the execution of those plans. Reviewing budgets is facilitated by intimate knowledge of the expectations which existed when the appropriation was passed and of the agencies' use of those funds. Biennial budgets make it virtually impossible for the same group of legislators to

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[1] A supplemental appropriation is made when the purpose of a regular appropriation has been expanded or when the funds for a particular purpose have been exhausted before the end of the fiscal year.

Table VIII-2. Appropriations to General Revenue and Common School funds, Illinois, biennia (dollars in millions).

Years	Appropriations	Increase From Previous Biennium	Appropriations in Constant 1972 dollars[a]	Increase From Previous Biennium
1958-59	$ 1,188	--	$2,362	--
1960-61	1,501	26%	2,647	12%
1962-63	1,768	18	2,942	11
1964-65	2,007	14	3,171	8
1966-67	2,581	29	3,768	19
1968-69	3,836	49	4,982	32
1970-71	7,041	84	7,974	60
1972-73	7,886	12	7,855	-1.5
1974-75	9,294	18	7,843	- .2
1976-77	10,960	18	7,913	.9

[a]The U.S. Department of Commerce's Index of State and Local Government Purchase of Goods and Services was used to convert current dollars into constant dollars.

Source: Comptroller, Illinois Annual Reports.

hear the initial justifications and explanations and to compare them to actual performance before passing the appropriation for the next fiscal period.

In terms of actual budget preparation costs, most executive agencies reported to the IEFC staff that changing to biennial budgets would make little difference. No official interviewed said that his agency's budget staff could be reduced. Most said that budget staff would be diverted to analysis and evaluation functions during the non-budget year.

Table VIII-3. Expenditures from General Revenue and Common School funds, Illinois, biennia (dollars in millions).

Years	Expenditures	Increase From Previous Biennium	Expenditures in Constant 1972 dollars[a]	Increase From Previous Biennium
1958-59	$1,146	--	$2,278	--
1960-61	1,418	24%	2,501	10%
1962-63	1,690	19	2,812	12
1964-65	1,929	14	3,047	8
1966-67	2,457	27	3,587	18
1968-69	3,508	43	4,556	27
1970-71	5,549	58	6,284	38
1972-73	7,438	34	7,408	18
1974-75	9,063	22	7,648	3

[a]The U.S. Department of Commerce's Index of State and Local Government Purchase of Goods and Services was used to convert current dollars into constant dollars.

Source: Comptroller, Illinois Annual Reports.

While spending has increased under annual budgeting, there is no evidence that annual budgeting itself is the primary cause of the increase. Annual budgeting contributes to more accurate revenue and expenditure estimates. There seems to be no savings in overhead costs, such as less staff or less paper work. Since there is no convincing evidence that changing to biennial budgeting would lead to better control or less cost, and since there are some reasons that suggest it would give the legislature less control, a change is not recommended.

While this chapter covered the time frame in which the General Assembly operates, the next chapter examines the activities which take place within that time period: the transformation and modification of the Governor's spending plans into laws which reflect the priorities of the General Assembly.

IX. BUDGET DOCUMENTS AND APPROPRIATIONS BILLS

This chapter analyzes how budget documents and appropriations bills reflect different orientations toward State finance. These views can be characterized as "legislative control" and "executive flexibility." Each view implies the use of different criteria in budgetary decision making; each implies a different approach to appropriations. These two views are examined in regard to the documents of the budget process--the budget books, the forms used by the appropriations committees staffs, and the appropriations bills. Several options are also discussed.

The budget process requires information. The sources of this information are the budget books submitted by the Governor, the appropriations bills introduced in the General Assembly, and expenditure data. Budget books reflect the Governor's proposed spending plan. Appropriations bills define what portion of the plan is approved, and expenditure data reveal the costs of executing last year's plan.

The Budget Books

The Bureau of the Budget compiles program information from each code agency[1]--objectives, measurements, and costs by which to judge program efficiency and effectiveness. This information is assembled into a budget which reflects the Governor's recommendations and is then presented to the legislature in the form of budget books.

The budget is contained in three books: *The Budget Narrative*, a description of the functions and activities of all agencies including comparative performance data on the various functions and activities; *The Budget Appendix*, a line item[2] budget for each function and activity; and *The Personnel Detail*, a list of all State employees tabulated by position, title, and salary for each agency.

The *Budget Narrative* contains some of the comparative performance data required by statute. However, in many cases, the data for various activities and functions are not shown. Often the data are measures of workload, such as so many tests given and so many licenses issued. Thus, the budget books do not fulfill all of the statutory requirements, even though program information collected by BoB might contain some of the required comparative performance data. The costs of individual programs are not shown in any systematic fashion. For example, the cost of community-based mental health care is given, but not the cost of inpatient or outpatient care at State institutions.

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[1]All those agencies identified in the Civil Administrative Code of Illinois. Appendix IX-A lists the code agencies.

[2]Proposed expenditures which can be classified by a single account, such as Personel Services. Appendix IX-B is a page from a recent *Budget Appendix*.

Program effectiveness data are also presented inconsistently in the *Budget Narrative*. The Department of Vocational Rehabilitation, for example, sets as an objective for FY 1975 to service 6,000 cases under the Disabled Public Offenders Program. The FY 1976 *Budget Narrative* estimates that with four months left in FY 1975, the department will serve 4,800 cases, a decline of 20% from the previous estimate. A new objective of 6,300 cases served is listed for FY 1976, an objective which exceeds only slightly the FY 1975 goal which the Department could not achieve. This is only one of numerous examples.

These data are not presented in a systematic fashion so the legislature and the public can readily discover if the Department of Vocational Rehabilitation is meeting its own goals. It is recommended that the format of the *Budget Narrative* be changed to show these comparisons.

Another change needed in the budget books is to integrate line item and program data. This is not a new idea in Illinois. The budget submitted by Governor Kerner for FY 1968-1969 was contained in one book. Each section dealing with a department or agency started with a narrative about its operations. Under each institution and administrative division, proposed line item appropriations were made by division and fund, allocations were shown by programs, and line item expenditures were allocated to each program. The program categories were very broad, sometimes as broad as a division. Nevertheless, these categories did provide some idea of the relative allocation of resources to programs at specific institutions. For example, in the Department of Mental Health, at Dixon State School, $26.5 million were allocated among six broad functions which were never really defined:

Administration	$ 770,903
Operations, Maintenance, and Institutional Service	6,139,164
Dietary Services	5,007,032
Medical, Nursing, and Residential Care	12,623,960
Education and Therapy	1,676,035
Training and Education	383,570

Another example was the Parks and Memorials Division of the Department of Conservation where $9.3 million were allocated among three areas.

Administration	$ 653,018
Parks Operation	8,331,515
Memorials	825,619

Sometimes, as in the case of the $10.6 million appropriation for the Management Information Division of the Department of Finance, there were no program specifications.

Governor Ogilvie's budget document for FY 1973 contained some allocations of current year spending authority and budget year

recommendations by budgetary activity, a category somewhat more inclusive than Governor Kerner's program classifications. The heading, "Budgetary Activities," used in the Department of Mental Health's FY 1973 budget, encompassed items that can be classified as programs, as target populations, and as activities like administration which presumably cut across all of the other items. Furthermore, since Budgetary Activities were not the categories used in appropriations bills, they were not binding. Narrative descriptions could not be compared with dollar recommendations to see if they were reflected in the resource allocations for a division or institution, nor could actual expenditure data confirm whether actual spending conformed to the proposed plan. It was impossible to discover, using the budget document, the relative emphasis a particular program received at a particular institution.

It is recommended that Illinois return to a single budget book with integrated line item and program data. Such a format would provide the legislature with some of the information it needs to evaluate appropriations requests.

Legislative Budget Forms

After the legislature receives the budget, the four appropriations committees' staffs collect information from agencies in preparation for committee hearings. This information is meant to supplement the budget books. Early in the development of legislative staffing, each of the four staffs required separate forms from the agencies. For FY 1975, however, the two House staffs and the two Senate staffs respectively circulated joint forms.

The House and Senate forms differ, because each chamber has different views about the kinds of information it needs. For FY 1976, only three pages in the 13-page Senate forms requested information not in the 24-page House forms. These three pages concerned transfers, funds from external agencies, and a summary of receipts.

On the basis of one year's behavior, an outsider might observe that the two houses have similar information needs and therefore the forms should be combined. But for FY 1977 the Senate forms are 15 pages, and the House forms are 44 pages. Information requested by the individual chambers is different for FY 1977 as reflected in the page disparities.

Consolidating forms might make it easier for agencies to disguise expenditure patterns since it is difficult to calculate the cost of programs by line item expenditure. Different forms do permit budget staffs from each chamber to ask different kinds of questions and thereby to increase the likelihood that information about costs is accurate and useful.

Appropriations Bills

The last major group of documents used in the budget process are the appropriations bills. Proposed funding from each revenue source is usually listed by line item for each agency, division, or institution. An appropriation bill, however, does not entirely follow a line item format. Federal funds are often listed as supporting undefined programs for which no line item breakdown is shown, although the General Assembly has increased the amount of detail and line items for federally assisted programs during the last few sessions. There are some examples of budgeting by programs in the form of lump-sum appropriations, but use of lump sums has diminished rapidly. Programmatic language, with line items underneath, occasionally has replaced lump sums.

Since appropriations are laws, they impose restrictions on agencies and by implication reduce agency discretion. Since budget documents are only plans, they create expectations, but they do not prevent the executive or agencies from deviating from the budget books. No matter how extensive the budget book material, appropriations bills are used by the General Assembly to insure that agencies comply with legislative decisions.

The dominant legislative view is that executive agencies have too much flexibility. Legislators and appropriations staffs worry about the ability of agencies to hide programs and activities in appropriations bills. They have experienced too many examples of executive discretion which conflicted with legislative expectations. Thus, the General Assembly tries to insure closer legislative control by providing for more line items.

While the current set of appropriation line items may seem to be very restrictive, they are relatively flexible in practice. For example, a line item budget tells agencies how much they can spend on hiring personnel but places no restrictions on the duties the employees perform. Nevertheless, there is a legislative expectation that the employees conform in large part to the manpower utilization plans of the *Personnel Detail*. While the legislature does not restrict departments to so many job titles as do some jurisdictions (e.g., Chicago), the General Assembly is not pleased by deviations from the *Personnel Detail*.

The legislature does not specifically appropriate by each detail object (e.g., legal fees and postage in the Contractual Services line) which is subsumed by each line item, but decisions are frequently made about the magnitude of the line items by examining the proposed use of funds at the detail object level. Legislators frequently question how much supporting information about Contractual Services reveals about proposed spending on legal fees, while they usually leave unquestioned the amount for postage. However, the General Assembly is not pleased when it learns that dollars justified for postage are used instead for legal fees or consultants.

Occasionally, the legislature believes the executive branch has acted contrary to legislative expectations by transferring funds to unauthorized purposes. The General Assembly responded either by making some appropriations nontransferable, or by appropriating at the detail object level.

The General Assembly is concerned not only with what programs the State undertakes, but also how it undertakes them. The legislature wants to know whether the personnel at a State institution are on a State payroll or if they are paid by an outside contractor. Legislators are interested in whether the State has to pay the contractor now so he can arrange for retirement benefits, whereas with most programs the State makes a conscious choice to defer funding of the pension liabilities attributable to these employees.

Other techniques are used when the General Assembly is displeased with the way agencies execute their responsibilities. The General Assembly added the following language to the appropriation bill for the Department of Labor for FY 1977:

> No funds appropriated in Section 3 of this Act may be expended for the opening and staffing of an Unemployment Insurance Employment Service or Work Incentive office if the office space or facility rented is located within 500 feet of a school in any city with a population over 1,000,000.

This language was ruled invalid (*Benjamin v. Devon Bank*). The court held that the section did not deal with the subject of appropriations, and under Section 8(d) of Article IV of the Illinois Constitution "Appropriations bills shall be limited to the subject of appropriations." Adherence to this ruling menas appropriations bills cannot limit what can be done with the funds. This conclusion would give the legislature no control over executive spending. The ruling is now under appeal in the Illinois Supreme Court.

The omnibus appropriation bill. Many legislators believe that too many appropriations bills are introduced into the General Assembly. In the spring of 1976, there was an experiment which received mixed legislative reaction. A massive $6.7 billion, 575-page omnibus bill covering executive branch agencies was introduced along with ten companion bills covering the rest of State government, including one for $2.8 billion which encompassed primary, secondary, and higher education. These bills were drafted by legislative staffs rather than by the Bureau of the Budget. They used the same language found in the FY 1976 appropriations bills and replaced the FY 1976 amounts with those proposed by the Governor in FY 1977. Unlike omnibus bills in other states, these bills used the customary appropriation language and line item detail with which the Illinois General Assembly controls the specifics of spending.

Ultimately, the experiment was abandoned, because there was resistance to the idea of an entire budget presented in a handful of bills. Part of the reason that the omnibus appropriation bill approach was rejected in Illinois is that political relationships are changed when questions about government spending are not treated on an agency-by-agency basis. The legislature's insistence on control over the specifics of State spending authority is one excellent reason why Illinois has not adopted the relatively undetailed appropriations bills used by other states.

Congressional experience casts additional light on the problems of omnibus appropriations bills. Shortly after World War II, Congress experimented with a single omnibus appropriation bill to facilitate the balancing of expenditures against revenues. Congress abandoned the omnibus bill approach primarily because it caused casual consideration of important details. The President thought the approach unpalatable because it forced him to accept or veto the entire bill.

Although Illinois uses a large number of appropriations bills, the General Assembly and the Governor do not treat every bill alike in terms of time and scrutiny. Consolidating departments into one appropriation bill may allow an unwanted or unnecessary appropriation to be carried along by the other components of the bill, permit a new program to go unnoticed, or delay a number of uncontroversial appropriations because of one objectionable component.

According to a 1975 survey by the Council of State Governments, there are twenty-five states where there is normally only one budget bill, while in twelve other states there are from two to ten appropriations bills. Thus, in almost three-fourths of the states there are usually ten or fewer budget bills. In only six states are there over one hundred budget bills. Only two states (Arkansas and Mississippi) usually have more bills than Illinois. An examination of appropriations bills from other states reveals that most legislatures have much less detail in their appropriations bills.

Some of the reasons other states have fewer bills include:

*Other legislatures rely less on appropriations bills as devices for legislative control of the specifics of State spending authorizations;

*the Governor's budget may be contained in a single bill;

*"unbudgeted" items must be introduced as amendments to budget bills rather than separately;

*all supplemental appropriations may be consolidated into a single bill; and

*transfers may be accomplished without legislative action.

The shortcomings of the consolidated bill approach are particularly noticeable in the area of deficiency appropriations. Deficiencies constitute deviations from the legislature's approved spending plans. Deficiencies which result from factors outside the control of the departments pass without any great debate. Sometimes, however, departments have blatantly spent at deficiency rates in defiance of legislative expectations. Deficiencies which exist because of collective bargaining agreements signed at mid-year also pose problems which should be dealt with separately. The fact that these deficiencies are treated individually and not in groups often enables legislative committees to learn more about a particular department than they could discover during consideration of the department's regular appropriation bill. Furthermore, since deficiencies indicate areas which probably need legislative oversight, reducing the number of deficiency bills will minimize specific occasions for detailed review of department operations.

A frequent participant in the annual deficiency review process is the Illinois Department of Public Aid. It is now almost taken for granted that the Department of Public Aid budget is underestimated. This occurrence is somewhat understandable given the difficulties of forecasting Public Aid and Medicaid expenditures. However, that is all the more reason why the Department of Public Aid's annual deficiency should not be merged with other deficiencies.

Clearly, there are tremendous differences between deficiencies caused by agencies which cannot process their vouchers in a timely fashion, Public Aid deficiencies, and personnel headcount overruns. It has been the judgment of the General Assembly that each should be treated separately.

Program appropriations. A program budget might not tell an agency specifically how much money to spend on equipment as opposed to Travel, Personal Services, or Contractual Services, but theoretically it would restrict the use of the equipment to a specific program or activity. Unfortunately, lack of program definitions and the necessary arbitrary allocations of expenses to programs, instead of to organizational units, gives the executive a virtual free hand in deciding how to use a program's fund. Popular and useful programs could obtain equipment and commodities which could be used the following year for less commendable purposes, even though they might not obtain legislative approval on their merits. What prevents film equipment purchased with federal funds for the Governor's Traffic Safety Coordinating Committee from being used the following year for some purpose other than Driver Safety Education?

Program budget appropriations can be totally flexible as in the State of Washington. The Washington budget book states the amount from each fund for each program, where program descriptions are two or three words long. "Seventy-one million dollars for Developmental Disabilities Program" is not much restriction at all. How does this allow the legislature to control activities and programs? How can it influence emphasis at the subprogram level?

Programmatic appropriation restrictions have not constrained executive discretion in Illinois. In those cases where legislative expectations are not realized, agencies are subject to line item appropriations to prevent any recurrence. Program budgeting probably would make it easier for any executive to legally fund activities specifically denied appropriations by the General Assembly. During the Walker Administration, the program budget for Food Stamp Program Administration funded activities and equipment purchases beyond what common sense would attribute to Food Stamp Administration.[1] The Governor used the food stamp resources arguing that this program should bear part of the cost of developing the State's film production facilities. The legislature added line items to this program budget for FY 1977 so that it would be difficult, if not impossible, to purchase more color television production equipment with Food Stamp Administration funds.

Program budgeting makes it more difficult for the General Assembly to reduce appropriations. It is easier for the General Assembly to justify cutting Personal Services or Travel than it is to reduce appropriations for child abuse detection services and programs for the mentally ill. It is easy to oppose bureaucrats and junketing, but it is hard to be responsible about program funding since every program has merits and advocates. It is easier for legislators to defend themselves against charges of meddling with administrative details than it is to explain why they really have not destroyed a useful program.

Successful program budgeting requires accurate cost figures compiled by program, as well as output and effectiveness measures. At present, these conditions are not met in Illinois. Programmatic measures are expensive to generate, difficult to maintain consistently, and complicated to interpret. Our accounting systems are set up by divisions and designed so that clerical help routinely can attribute expenditures to the proper division with a high degree of reliability and replicability. They facilitate instantaneous access to an agency's expenditure patterns at any point in the accounting period. Consequently, a "pure" program budget should not be adopted at this time. But it is important to remember that legislative control over expenditures is limited to the restrictions imposed by the language and dollar amounts of appropriations bills and the relatively more permanent context of control. An important aspect of the context, such as the Finance Act, and specific appropriation controls are often evaded or stretched by agencies during the course of administering programs. Therefore, it is recommended that the legislature retain its control orientation.

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[1] Better Government Association, A Report on the Funding of a Color TV Studio and Equipment for the Illinois Information Service.

X. APPROPRIATIONS CRITERIA

This chapter examines the criteria used in the appropriations process to determine funding levels and the quality of information available to the General Assembly for its appropriations decisions.

There are four factors which seem to be important in appropriations decisions:

(1) the Constitutional requirement that total appropriations not exceed anticipated resources;

(2) the change in each agency's budget from the prior year;

(3) the agency's efficiency and effectiveness; and

(4) the future fiscal impact of current budget requests.

Balancing Appropriations and Resources

Should the budget be considered as a whole, rather than in an uncoordinated series of appropriations bills? Is it desirable to consider revenue and expenditure decisions simultaneously? There have been frequent attempts in Congress to require comprehensive consideration of taxing and spending decisions. In 1946, the revenue and appropriations committees jointly considered the budget. In 1950, there was an attempt to appropriate for all departments in one omnibus bill. The 1974 Congressional Budget Reform Act revived these earlier attempts at linking revenue and expenditure decisions. The Congressional Budget Office was created in part because the Democratic-controlled Congress did not want a Republican president to dominate the budget process. Congress prescribed formal procedures for simultaneous consideration of revenues and expenditures through budget committees in each chamber with responsibility for proposing spending priorities.

A secondary impetus for the Congressional Budget Reform Act was the desire of the fiscal committees (mostly Appropriations, but also Finance and Ways and Means) to recapture control over spending from the subject matter committees. The growth of spending not subject to the appropriations process, called backdoor spending, and the pressure for "full funding" of programs which do go through the appropriations process, but which have their authorizations set by substantive committees, combined to erode the controls which the fiscal committees could exercise over spending.

Illinois, in contrast, does not permit backdoor spending of State funds. All authority to spend State funds must pass through the

appropriations process. Even the formula laws which allocate funds have pro rata clauses so that in the event insufficient funds are appropriated, every recipient receives the same proportional reduction since the appropriation governs, not the substantive formula legislation.

While the General Assembly lacks formally prescribed methods to coordinate revenue and expenditure considerations, nevertheless it is aware of potential deficits and surpluses. Allowing expenditures to exceed revenues is in essence a calculation that either revenues are likely to grow more rapidly than expenditures or additional revenue can be obtained in the future at less political cost.

Changes in Agency Budgets

The most important factor in legislative decisions about an agency's appropriation is the change in the agency's request from the previous year. Last year's need is what the agency received last year. However, the General Assembly is hampered in making its decision because information is not readily available about exactly how the agency spent its prior year's appropriation. This is understandable since the legislature is required to make appropriations for the budget year before expenditures are complete for the current year and before the amount of supplemental and deficiency appropriations is known.

Legislators often think in terms of the cost of maintaining current activities (the base), the cost of updating the base for uncontrollable factors (e.g., Social Security tax increases), the cost of previously agreed upon policies (e.g., step and merit increases), and the cost of changes in the scope of agency activities (the increment). While the activities which comprise the base can be changed and previous commitments can be discontinued or altered, legislators generally do not want to reopen previously resolved conflicts about the proper activities of an agency. Once it has been decided that an agency is to pursue a particular purpose, most legislators believe they should support whatever funding is "needed." While most of the emphasis is clearly on the margins, the Illinois General Assembly has occasionally redefined the base, temporarily suspended commitments of previous General Assemblies, altered many, reversed some previous commitments, and even refused to fund entire agencies.

Another factor complicating appropriations decisions is a change of administration. An outgoing administration can obligate extraordinarily large sums for Contractual Services, Commodities, and Equipment. On the other hand, a newly arrived administration can speed up spending in some areas and retrench in others. In any case, there seems to be a temporary slowdown in agency activity as one set of officials leaves and the other arrives.

Changes of administration, uncertainty about current year expenditures, and the number and size of deficiency and supplemental appropriations make it difficult to gather spending information. This difficulty might be resolved by incorporating some recent budget innovations adopted by Congress: a "current services budget" and a "current spending plan."

Current services budget. A focus on the changes in total appropriations from year to year may overlook new programs or activities, since agencies often initiate new programs with little or no increase in their total budget request. These new programs will not be noticeable in the budget books and appropriations bills, unless there is a significant change in line item amounts, regardless of the magnitude of the new program.

To aid the U.S. Congress in identifying such changes, the President must now submit a "current services budget" in November--two months prior to the submission of the regular budget. The current services budget is basically an estimate of what it would cost in the next fiscal year to maintain programs and activities at the same level of service as in the current fiscal year. This estimate is usually derived by price adjustments to the current year's anticipated expenditures.

If an agency wishes to engage in a new activity in the next fiscal year, this information will not be in the current services budget, but it will be in the regular budget request. The current services budget provides a benchmark to determine how much of a new request is to increase service levels or new activities. It would also indicate how much money could be saved by discontinuing current activities.

Current services information, unfortunately, is subject to political and bureaucratic editing. The Governor will present his programs in the best possible light and in a fashion which will facilitate passage of his budget. In addition, bureaucrats have their agency's interests to protect and advance. This information would tend to make the legislature focus only on changes contained in the budget proposal rather than on the base, thereby enabling programs, which might be eliminated or reduced, to survive.

Current spending plan. After final action on appropriations, each agency would submit a "current spending plan" to the General Assembly showing how it intended to spend its money. Such a report would resemble the agency's budget requests except that it would show the amount finally appropriated. This theoretically would enable the legislature to determine whether activities it intended to fund were actually funded and if activities it intended to cut were actually reduced.

The basic information for a current spending plan is available if divisions and not activities are the basis of analysis in the allotment documents filed by agencies under the Governor's jurisdiction (see

Chapter XII). If these documents included workload data and price adjustment factors, legislative staff could compute current spending plans for those agencies worth examining. Where desirable, legislative staffs could collect similar allotment information from agencies not under the Governor, particularly higher education. Unfortunately, this concept is not workable on a program or activity basis. Adequate accounting systems have not been developed to accommodate program budgeting. Furthermore, State accounting information bases are composed of information entered by relatively unsophisticated personnel who would have a hard time allocating expenditures between programs and activities.

Agencies also would be required to submit this prospective spending information far in advance of the Governor's March budget presentation. Even if these plans are not politically or bureaucratically edited, accurate spending forecasts are difficult to determine. The most interesting spending patterns are the most difficult to project, such as Aid to Dependent Children and Medicaid.

However, if the legislature wants to look at the current spending of any agency, it should do so on an individual basis. It is inefficient to require all agencies to submit numerous forms informing the legislature of what it already knows (the amount of appropriation after veto action) and what it can find out without asking the agency (current spending levels). The legislature can obtain timely expenditure data at the detail object level without involving agency personnel. Neither the agency nor the Bureau of the Budget knows what will be spent for the remainder of the year, and their guesses may not be better informed than those made by legislative staff. Finally, current spending plans would be useless in transition years. These plans do not help the General Assembly determine what activities are taking place or begin preparations to consider the next year's budget.

Efficiency and Effectiveness

Current spending plans and financial reports may provide information on how agencies spend their money, but government programs are intended to provide services. The General Assembly is primarily concerned about the efficiency and effectiveness with which agencies operate their programs and it does not want any unnecessary dollars appropriated. Some simple efficiency measures are included in the *Budget Narrative*, but they consist mostly of crude workload measures. Unfortunately, as noted in Chapter IX, these kinds of data are not yet useful for decision making.

Several bills were introduced in the 1973 legislative session to require that systematic data on effectiveness be provided to the General Assembly. None of these bills passed for two major reasons. First, agencies argued it would be a substantial burden to produce such reports, which in most cases would contain only tentative conclusions based on unreliable data. The experience of the IEFC, however, indicates that program effectiveness information can be collected at various levels of

reliability depending on the amount of money expended. Second, some legislators and staff were skeptical about the need and the value of this information.

Legislators are discovering that important questions remain unanswered by simple financial reports. As the advantage of addressing such questions become clear, more legislative officials in Illinois, as in other states, will support efforts to gather information about efficiency and effectiveness. The assignment of a program audit responsibility to the Office of the Auditor General and the impact of the IEFC's evaluation studies are evidence of this trend (see Chapter XIII).

A first step toward the development of measures of effectiveness was taken in 1975 when the General Assembly passed the Illinois Welfare and Rehabilitation Services Planning Act. It specified that these plans should set "a prospective for the current year's actions, setting forth goals and intentions and issues and recommendations for future actions, within the two years following the next fiscal year." The specific requirements are listed in Appendix X-A.

The General Assembly chose to concentrate in the area of human service planning, an area of special interest due to forecasting difficulties, instead of initiating a full scale conversion to effectiveness data. The legislature chose a high priority spending area, perhaps assuming that if measures of effectiveness can be developed in these areas and their utility demonstrated to individual legislators, then it is more likely the legislature will expand this approach to include additional areas of governmental activity.

Future Fiscal Impacts

Future fiscal impact information under a 1965 law is to be included in "fiscal notes" prepared for every substantive bill, "the purpose or effect of which is to expend any State funds or to increase or decrease the revenue of the State." According to the statute, a bill's sponsor must have a fiscal note prepared prior to second reading of the bill in the house of introduction. The fiscal note is to provide both immeidate and long-range cost estimates for the new activity.

It is recommended that the Fiscal Note Act be amended to require fiscal notes specifying future year principal and interest payments for all capital authorization legislation. Future year cost implications are significant in capital projects and bond funded initiatives.

Many new activities do not result from substantive legislation of the kind that would require a fiscal note. Instead, they are created or expanded through marginal changes in appropriations bills.

While agencies may be honest in their cost estimates, it is virtually impossible to be very accurate for many programs. However,

in one program there are accurate future year cost estimates. This is an all too often neglected aspect of State finance--the State pension system. The State budget for FY 1977 lists estimates of Investment Income, State and Member Contributions, and Payout and Assets for the end of FY 1976, but there is no mention of actuarial liabilities. Actuaries have developed some relatively straightforward estimates of future year pension costs and the level of current contributions needed to fund future year pension costs. It is recommended that the Governor be required to include in the budget book his proposals for funding current and future pension liabilities. The Pension Impact Note Act states that the Public Employees Pension Laws Commission "*may* (italics added) prepare a written pension system impact note in relation to any bill introduced in either house" or whenever any committee of either house reports any bill with an amendment, or whenever any bill is amended on the floor. It "*shall* (italics added) prepare notes in these circumstances if requested by a member of the General Assembly." It is recommended that the Act requiring that all pension legislation go through the Pension Laws Commission be strengthened.

Furthermore, the pension liability incurred for all federally funded programs should be paid for in full. While the State can catch up in future years for the pension plan support it does not contribute this year, it does not make any difference to the federal government if there are unfunded future year State obligations and liabilities, once a federal grant is exhausted.

These recommendations constitute initial attempts to deal with long-range cost implications. The legislature should require more information about future year costs, starting with bonds and capital, the subject of the next chapter.

XI. CAPITAL BUDGETING AND APPROPRIATIONS

This chapter focuses on the role of the State in financing, subsidizing, and constructing capital facilities. It describes the advantages and disadvantages of the capital budgeting and appropriations process in Illinois and examines several ways to improve this system.

The State of Illinois annually spends a significant portion of its budget to construct and renovate its capital facilities. State capital projects can range from the installation of lights in a parking lot to the construction of a new office building. Most capital improvements involve nonrecurring expenditures and projects which may take longer than one year to complete. For FY 1977, appropriations and reappropriations for permanent improvements and highway-waterway construction were about $1.5 billion, a drop of about $.9 billion from FY 1976.[1]

The State also devotes a considerable portion of its resources to direct and indirect financing and subsidizing of capital construction and renovation of local level projects. Some of the more notable examples are school construction grants, school construction debt service grants, and sewerage treatment construction grants. For FY 1977, appropriations and reappropriations financing or subsidizing construction or debt service at the local level amounted to more than $.7 billion. The State uses both bond and nonbond resources for State and local level capital programs.

Bond uses. The kinds of projects Illinois funds with bonded resources have expanded in recent years. Some current items are of relatively limited duration and, hence, cannot be capitalized over the life of the bonds. Debt financing has been employed in lieu of current financing to pursue objectives which were not possible given the short run decisions not to increase taxes and not to decrease other expenditures. For example, a large portion of the expenditures associated with bond funded improvement on intercity passenger services are not generally considered to be permanent capital improvements. Escalating cost factors have contributed to the increase in debt financing as has the fear that a delay in some renovation projects may lead to amplified costs in the future. It is cheaper and easier to prevent pollution before it occurs than to restore conditions to pollution-free levels.

The main question concerning general obligation bonds, since they are not identified with a specific project is whether the State will be able to pay back the bonds. Income need not be derived from the capital asset to retire the debt. The bonds are floated with the understanding they are backed with "the full faith and credit" of the State.

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[1]A reappropriation is an appropriation of all or part of unused spending authority previously appropriated.

The 1970 Constitution makes it unnecessary to establish quasi-public authorities to raise capital which would be paid back by revenues, often rent payments from the State. While the State has greatly increased the use of general obligation bonds, revenue bond funded initiatives continue for State capital facilities, particularly at universities.

New York City provides a vivid example of the potential long-term effects of using bond funds for nonenduring purposes, especially operating expenses. Using bond funds for operating purposes shifts the cost of those expenses to future year tax payers and postpones critical decisions. Future policy makers then must choose between cutting expenditures, raising taxes, or imposing these costs on yet another set of taxpayers in the future.

The State's Bonded Indebtedness: General Obligation Bonds

The State owes $1.369 billion in principal and $.765 billion in potential interest for general obligation debt issued as of June 30, 1976.[1] This is almost seven times the amount owed six years before. Table XI-1 shows how general obligation bonded indebtedness has grown in recent years.

Table XI-1. General obligation bonded indebtedness outstanding as of June 30, 1976.

	Principal		Principal and Interest	
Year	Debt Outstanding	Per Capita Debt (a)	Debt Outstanding (b)	Per Capita Debt (a)
1970	$ 240,600,000	$ 21.65	$ 306,097,500	$ 27.54
1971	326,800,000	29.40	449,391,500	40.43
1972	459,000,000	41.30	656,628,730	59.08
1973	658,200,000	59.22	1,017,087,250	91.51
1974	861,400,000	77.51	1,304,009,950	117.33
1975	969,200,000	87.21	1,454,032,700	130.83
1976	1,369,500,000	123.22	2,135,781,450	192.17

[a]Based on 11,113,976 population, U.S. Bureau of Census, 1970 Census.

[b]Does not include any payments for revenue bonds.

Source: Illinois Comptroller, General Obligations and Revenue Bonded Indebtedness, FY 1976, p. 4.

[1]Earlier retirement will reduce interest costs.

This potential debt service of $2.135 billion is spread out until the year 2001. The amount changes constantly as more bonds are sold and as debt service is paid out. The State's potential debt service increased over $350 million in the eight months following June 30, 1976. This increase is due to the September sale of $125 million in general obligation bonds and the December sale of $150 million. As of February 28, 1977, the State owes about $2.5 billion, $1.6 billion in principal and $.9 billion in interest spread out until 2002. Table XI-2 shows general obligation principal and interest payments by year as of June 30, 1976.

Clearly the State has spread the burden of payment onto future generations, and both the additional burden and the short- and long-range benefits should be considered whenever bond authorizations are increased. All too often bond-generated funds are considered free, or at least cheaper, than funds generated from current taxes. Bond funds, like federal funds, are derived ultimately from taxpayers.

Table XI-2. State of Illinois schedule of general obligation debt retirement as of June 30, 1976 (in thousands of dollars).[a]

FY	General Revenue Fund		Road Fund		Total
	Principal	Interest	Principal	Interest	
1977	$ 54,700	$ 49,853	$ 13,000	$ 20,024	$ 137,577
1978	54,700	47,030	13,000	19,218	133,948
1979	48,700	44,405	19,000	18,267	130,372
1980	54,700	41,815	13,000	17,311	126,826
1981	54,700	39,090	13,000	16,493	123,283
1982	48,700	36,535	19,000	15,537	119,772
1983	54,700	33,967	13,000	14,584	116,251
1984	54,700	31,256	13,000	13,766	112,722
1985	48,700	28,727	19,000	12,810	109,237
1986	54,700	26,231	13,000	11,872	105,803
1987	54,700	23,605	13,000	11,081	102,386
1988	40,900	21,179	19,000	10,151	91,230
1989	40,900	18,999	13,000	9,244	82,143
1990	40,900	16,884	13,000	8,517	79,301
1991	34,900	14,902	19,000	7,643	76,445
1992	40,900	12,917	13,000	6,766	73,583
1993	40,900	10,766	13,000	6,032	70,698
1994	34,900	8,760	19,000	5,152	67,812
1995	40,900	6,888	13,000	4,269	65,057
1996	33,400	4,933	13,000	3,529	54,862
1997	27,400	3,429	15,000	2,756	48,585
1998	23,400	2,266	13,000	1,983	40,649
1999	14,200	1,340	12,200	1,339	29,079
2000	8,800	754	9,200	753	19,507
2001	8,800	338	9,200	315	18,653
	$1,014,900	$526,869	$354,600	$239,412	$2,135,781

[a]The amounts do not include the September 1976 issue of $125 million, the December 1976 issue of $150 million, or the proposed March 1977 issue of $110 million.

Source: Illinois Comptroller, General Obligations and Revenue Bonded Indebtedness, FY 1976, p. 3.

Revenue Bonds

State involvement in revenue bonds can be classified in three categories:

(1) State indirect debt. The Illinois Building Authority and the Illinois Armory Board were created under the 1870 Constitution to issue revenue bonds for capital construction of State facilities to be repaid by State appropriations for rental of these facilities.

(2) State moral obligation debt. Most of the State's moral obligations result from capital construction for metropolitan exposition authorities and for state universities. Some universities use appropriated funds to retire these debts. Other universities use funds normally paid into income funds as substitutes for appropriated funds. Perhaps future university bond issues might be retired with appropriated funds so that the State can obtain cheaper interest rates.

If one category of moral debt runs behind in its payments, the Governor must include in his budget, if necessary, the amount required to meet a particular year's payments for principal and interest on Illinois Housing Development Authority Bonds. The General Assembly need not follow the Governor's recommendation to supplement debt service of the Illinois Housing Development Authority.

(3) Revenue bonds issued without any commitment from the State. State involvement in debt financing has increased tremendously since 1970. Besides the expansion in the use of general obligation bonds, the most significant development since 1970 has been the State's role in encouraging private capital construction through interest reduced State revenue bonds. Because interest on State bonds is exempt from the federal income tax, the State can command lower interest rates and thereby subsidize private borrowing. Private borrowers then can raise capital funds at less expense using State revenue bonds. The Illinois Educational Facilities Authority, the Illinois Health Facilities Authority, the Illinois Housing Development Authority, and the Illinois Industrial Pollution Control Financing Authority issued no bonds under the 1870 Constitution. Since the adoption of the new Constitution in 1970, over $.757 billion in bonds were issued, of which $.438 billion occurred in FY 1976 alone.

In addition, there are quasi-public revenue bond issuing units such as the Illinois State Toll Highway Authority. Because of the way the Illinois State Toll Highway Authority frequently makes principal payments ahead of schedule, the future interest cost of all three categories of revenue bonds is at least $1.5 billion.

The principal outstanding, as of June 30, 1976, for these three categories of revenue bonds is $1.847 billion (Table XI-3). This is $.338 billion more than the principal outstanding only a year earlier.

Table XI-3. Outstanding revenue bonds as of June 30, 1976 (in thousands of dollars).

	State Indirect Debt	State Moral Obligation	State Not Committed
State Appropriations for Annual Rentals	$398,845	$	$ --
State Appropriations for Share of Debt Services	--	14,938	--
State University Debt	--	303,020	--
Illinois Housing Development Authority	--	244,735	--
State Not Committed	--	--	885,482
Total as of 6/30/76	$398,845	$562,793	$885,482
Comparative total as of 6/30/75	$419,932	$491,414	$598,218

Source: Illinois Comptroller, General Obligations and Revenue Bonded Indebtedness, FY 1976, p. 6.

Bond Authorizations

There is a substantive statute for every type of State debt. These statutes link the amount of debt and appropriations. The statutes either set limits or leave unspecified the amount of debt which can be incurred. Unless there is unused bonding authority, bonds cannot be sold to raise money to pay for appropriated projects. If the overall ceiling on Capital Development Bonds or the ceiling on a specific category of Capital Development Bonds has been reached, there can be no further bond sales or expenditures until the General Assembly raises the ceiling. In this way, the legislature uses authorizations to control State involvement in additional debt financing.

Appropriations for State-Level Capital Projects

State-level capital projects emerge primarily from two agencies: the Department of Transportation (DOT) and the Capital Development Board (CDB). Table XI-4 shows that the combined DOT and DCB appropriations and reappropriations for FY 1977 amount to 98% of total State-level appropriations for construction and permanent improvements.

Table XI-4. Appropriations and reappropriations[a] for State permanent improvements and highways-waterways construction[b], FY 1977 (in millions of dollars).

	Amount	Percent of Total
Department of Transportation	$1,226.0	84.3%
Capital Development Board	212.0	14.1
All Others	23.6	1.6
Total	$1,501.6	100.0%

[a]The amount for CDB appropriations and reappropriations tends to understate the actual level of CDB appropriated activity related to capital improvements. Approximately $515.0 million has been appropriated or reappropriated to CDB in FY 1977 for permanent improvements and directly related grants, except debt service grants authorized under the Capital Assistance Program. The difference in amounts is attributable to the exclusion of items classified as grants by the State Comptroller, but which actually relate to capital improvements even if they are not State permanent improvements. The community college construction projects are one important example of non-State permanent improvements which are being funded with State generated bond funds.

[b]All highway improvements are treated as State permanent improvements.

Source: Figures derived from Comptroller, Illinois Appropriations, Fiscal Year 1977. These figures do not include vetoed projects which were overridden.

Department of Transportation. The Department of Transportation (DOT) prepares capital spending proposals for construction of highways, waterways, airports, and public transportation projects. Most of DOT's efforts involve highways.

The department compiles a five-year highway program plan which it uses to determine priorities for highway construction. Each year, DOT district offices submit a list of project priorities within their districts. These lists identify the type and total cost of each proposed project and that project's priority in the five-year plan. The Secretary of the Department of Transportation then decides the specific projects which will be proposed in the next fiscal year.

DOT submits its capital proposals to BoB as part of the annual budget request. The department budget staff reviews every proposed project, but the information submitted to BoB includes only a summary of each major program activity--highways, waterways, airports, and public transportation--with somewhat more detail on major individual projects. However, DOT does not submit to the General Assembly or the Bureau of the Budget its multi-year information--only the current year's expenditures and the amount requested for the next fiscal year.

The *Budget Narrative* contains a general statement of the department's highway and waterway program which includes very little specific information about the distribution of projects. The *Appendix* contains only summary information. Appropriations bills in contrast are in part very specific, often pinpointing a specific stretch of highway or a particular waterways project, but enormous flexibility is given to DOT in the form of lump sum programmatic appropriations for highway construction. For FY 1977, $371 million from the Road Fund are appropriated for

> engineering and contract costs of construction of State highways, access areas, roadside shelters, rest areas, fringe parking facilities and sanitary facilities as provided by the "Illinois Highway Code"; for Bikeways as provided by P.A. 78-850; and for land acquisition and sign-board approval and control in accordance with applicable laws and regulations.

The appropriation does not specify how much is for interstate, primary, secondary, municipal, county, or township roads. Since FY 1974, specific projects have been appropriated from the Series A Bond Fund as the legislature sought to control the use of these funds. This legislative initiative was opposed by the Governor's Office.

In the past, the Department of Transportation's Annual Road Program was not published until late in the legislative session. The Annual Road Program lists highway construction projects by location and estimated dollar costs. It is this program which informs legislators what projects might be undertaken in the next fiscal year, that is, how the lump sum Road Fund construction appropriation will be used. All the projects will not be undertaken in the next fiscal year because there is not enough money available. Recent legislation now requires that the Annual Road Program must be published earlier in the legislative session.[1]

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[1]DOT claims the late release of recent Road Programs was due to the delay in receiving federal aid estimates which aid DOT in determining which projects can be funded with State-originated resources without bankrupting the Road Fund. It is also possible the Road Program has been late in emerging because of departmental negotiations for support. The published Road Program is sometimes changed after the appropriations bills are passed. In addition, all aspects of the Road Program are not accomplished at the same rate of speed, and not always for engineering reasons.

Capital Development Board. Most State nontransportation construction projects, including sewers, are overseen by the Capital Development Board (CDB). Prior to FY 1973, individual agencies were responsible for developing new capital projects, submitting them to BoB for review, and supervising construction in conjunction with the Office of Supervising Architect. In 1972, CDB was created. While individual agencies still propose new projects, the proposals are now reviewed by CDB as well as BoB. CDB reviews projects from a technical standpoint while BoB retains responsibility for programmatic review.

CDB reviews the annual agency requests to check the accuracy of estimated project costs and to determine whether proposed projects will meet the needs expressed in their five-year plans. Unfortunately, few five-year capital plans currently exist. BoB and CDB sometimes alter the project plans when they feel money can be saved and sometimes change them when they want a more complex or larger project.

After BoB and the Governor have determined project priorities and what level of capital spending to recommend, CDB drafts an appropriation bill. After the announcement of the Governor's budget the agencies, CDB, BoB, and the Governor decide upon specific projects.

Capital budget format. There are no multi-year capital spending estimates reflected in the budget books. CDB does not even collect these data. It is particularly desirable to relate capital construction cash flow needs with bond fund balances, bond sale projections, and overall capital authorization limits. Since construction is not the only activity financed from bond funds or other funds, it is important to relate construction to other cash flow requirements. It is recommended that the Governor be required to present his capital spending plans in such a fashion to show the first and subsequent years' cash requirements by fund for the proposed bonded program.

Capital spending requests are presented in two ways in the budget books. The *Budget Narrative* presents a summary of total requested capital spending and outlines each agency's proposed capital projects, the amounts appropriated in the prior and current years, and recommended appropriations for the next fiscal year. There is also a very brief discussion of the projects to be undertaken or continued. Estimates of the impact of projects on future operating budgets are not included.

The *Budget Appendix* also contains very little capital information. The entire budget for the Capital Development Board for FY 1977 is presented on less than two pages without enumerating a single project. It is recommended that the Governor be required to specify in the budget book those capital projects for which appropriations are requested.

CDB requests information about the future year operating costs of proposed capital projects, but user agencies have generally not complied. It is also unclear whether reliable estimates can be generated.

The administration and the agencies themselves may be very reluctant to project future costs, since the future year operating costs might be quite substantial. If the legislature knew about the true magnitude of operating costs for a new facility, the General Assembly might not allow construction of the facility. Even if agencies could and would supply this information, there is little likelihood that their estimates would be anything but conservative. While it might prove useful to require these estimates in the budget books alongside each proposed project, it is unclear how these estimates might alter the politics of obtaining legislative support for these projects.

One aspect of multi-year costs that should be included with the total bond package of the Governor is the future impact, by year, of the principal and interest payments, by bond fund, necessary to pay off the Governor's program. The Governor should be required to show this information in such a fashion so that the incremental cost of this year's program is set apart from the cost of past year bond programs. Legislators could then examine the impact of the Governor's program on the amount of debt service for each year until the debt is paid off. Returning to Table XI-2 and adding a new column on the right side labeled "Governor's Proposed Total" might give the legislature an idea of how this information could be presented.

Legislative forms. Because the budget books do not present information on projects, the appropriations staffs attempt to collect almost the same information already sought by DOT and CDB. The staffs try to identify each project with its total construction costs, the amount appropriated and spent in the last fiscal year, the amount appropriated, estimated expenditures for the current fiscal year, and the amount requested for the next fiscal year. The legislative forms also require a line item estimate of annual operating costs for the complete project. In almost all instances, these forms are not filled out.

Capital Appropriations

The Finance Act provides that all appropriations are available for one fiscal year. For the first fiscal year of a project's construction, the General Assembly appropriates in most instances the total estimated cost of the project. If the project is not completed within the fiscal year, the entire unexpended amount of the original appropriation must be reappropriated in order for it to be spent. The advantages and disadvantages of this approach are discussed in this section, and several alternatives examined.

Annual reappropriations provide the General Assembly with the opportunity to scrutinize every capital project. Because money must be reappropriated, the legislature can determine every year whether the State needs each project. Projects often do not begin immediately, and virtually the entire appropriation must be reappropriated if the project

is still deemed worthy of completion by both the Governor and the General Assembly. Since planning costs are generally included in the initial appropriation, it is possible that planning studies might indicate that the project was unneeded or of less importance than other projects. Sometimes the Governor will refuse to recommend a reappropriation of unused spending authority or reduce or line item veto the reappropriation.

Recent criticisms. Reappropriating the entire amount of a capital project may inflate budget totals. If a building actually costs $24 million, that sum must be appropriated for the first fiscal year. If the building is not completed before the start of the next fiscal year and only $8 million have been spent, the remaining $16 million must be reappropriated. In the third fiscal year, if a total of $20 million has been spent, the remaining $4 million must be reappropriated.

Appropriating the entire project cost inflates the budget from a cash flow perspective, but it also shows what the State's future cost will be if the project is completed. The dual process of authorizing and appropriating capital projects makes it particularly important that there be sufficient bond authorization to complete every project started with bond funds. An even more conservative position would require that no project be started which could not be funded totally without additional bond sales. A project could be stalled because there might be insufficient balances in the bond funds to pay for additional work. The State's precarious general funds balance could be jeopardized if contracts were legally initiated and fulfilled. The State would be liable regardless of whether the particular fund from which the original payment was to be made had sufficient funds. While this may occur with any fund, the large amounts involved with bond financing make the possibility worth noting. It is recommended that no projects be started for which there is insufficient bonding authorization to allow their completion.

Alternatives

There are several possible alternatives to the present method of capital appropriations.

(1) Cash flow appropriations. One change that would reduce the dollar amount of capital appropriations but would not change capital expenditures would be to appropriate only the expected expenditures for capital projects in each fiscal year. This is essentially the approach taken with waterways projects for FY 1976 and FY 1977. Only the expected amount for cash flow was signed into law by the Governor. Although the General Assembly appropriated the entire project cost in many instances, the Governor reduced the items to the expected expenditures for FY 1977. For example, a particular reservoir project appropriated at almost $3.5 million was reduced to $230,000.

The Governor also authorized only the amount of expected expenditures when he reduced the reappropriation for one CDB project to the

costs of purchasing land for the Springfield Courts Complex. This approach allows budget totals to appear smaller and more bond projects to be initiated without raising the authorization level.

The approach also permits the front-end costs to be appropriated and spent without much disucssion of the total project cost. So much for the purchase of land in a later phase or $230,000 for planning have a different impact than a dollar figure for the entire package. A Governor can place the legislature in a situation where a half- or fourth-completed project must remain that way until additional appropriations are passed or until additional borrowing authority is granted the Governor. Under the current system, projects have not been started due to insufficient unused bonding authority.

CDB's position is:

> This (cash flow appropriations) is unrealistic when one considers that contracts are not awarded, nor could they be, on a cash-flow basis. A system of this nature would require accurate spending estimates, and experience has demonstrated that it is extremely difficult and often impossible to accurately estimate annual cash flow on a project by project basis because of such unpredictable factors as strikes, adverse weather conditions, and delayed availability of essential construction materials. Appropriations based upon estimated expenditures would tend to add confusion to the appropriation process. It should be recognized that effective cash flow and financial management cannot be dictated through the appropriation process. Studies should be undertaken which will indicate the limit of general obligation debt that the State can afford, and authorizations should be established within this limit. Capital priorities, reflecting total project costs, should be appropriated within these constraints.

(2) "No-year" appropriation. Another alternative is to appropriate money once for the duration of the project. Once the legislature approved a project and appropriated the necessary funds, there would be no further legislative review, whether completion took six months or four years, unless supplementary appropriations were necessary. Budget totals would then indicate potential liabilities for a certain year. A no-year appropriation would not provide better indicators of a year's expected cash flow than the present system. However, budget totals for the following year would not reflect the liabilities associated with this project.

(3) Two-step appropriations. Another possibility is a two-step process. The first step is an appropriation for planning for each project.

The second step appropriates the remainder, with reappropriations where necessary, or there could be a no-year appropriation for actual construction. This procedure is in limited use, but the General Assembly does not see the plans paid for in the first step before it funds the second step. Appropriating for construction after plans are completed could provide a better estimate of the true cost of the project, but might put the General Assembly into a situation where the cost of construction would not really become an important factor until after the planning expenditures had occurred. That is, spending for plans or for plans and land is an investment which makes retrenchment expensive.

The CDB staff reports that they already follow this two-step process for projects which take nine months or longer to plan. Money is requested only for planning the first year, and the actual construction money is requested in the second year. Sometimes a three-step process is followed: planning, land acquisition, and construction.

CDB requests the total amount for projects which take less than nine months to plan. The staff reports that a two-step process for such projects is unrealistic and expensive, since plans may be completed when the legislature has finished its appropriation action for the next fiscal year.

(4) "Multi-year" appropriations. A fourth alternative is to appropriate capital spending for some specific period longer than one year, rather than the vague "duration of project." Senate Bill 764, introduced in 1975, proposed a five-year period, while CDB staff has suggested three years. This bill failed to pass even the first committee in the legislative process. A multi-year approach would reduce the frequency of reappropriation and, hence, reduce formal opportunities for legislative approval, oversight, and review. Some of the oversight and control deficiencies of biennial budgeting are applicable to multi-year appropriations.

The possibility that the legislature will refuse to reappropriate is and will continue to be a powerful device to obtain information and concessions from executive branch agencies and the Governor. This option, like other forms of power, should be exercised carefully, but the legislature should not relinquish this fiscal prerogative. However, contracts often exist which obligate appropriated funds without immediately spending them. Expenditures do not occur until after some work has been completed and a voucher has been submitted. Thus, there may be significant legal and practical problems in refusing to reappropriate an unspent appropriation.

Reappropriations inflate the size of the Governor's budget from a budget year cash flow perspective, but they do not inflate the total cost of the Governor's program for a fiscal year. If only this year's cash flow requirements for current projects are included in the Governor's budget, then the State's liabilities would be seriously underestimated.

When the entire budget is examined from a liability perspective, reappropriations should be included in the Governor's budget and a project should be appropriated in full at the initiation of that project's planning. The future year principal and interest payments associated with each project also should be included in the budget. If the budget is to represent a picture of the State's financial situation, then the budget should contain all the future year costs that result from this year's programs. It is recommended that the reappropriation system be retained because of the excellent future year liabilities aspects and the opportunity it gives the Governor and the General Assembly to alter capital project spending plans.

SECTION IV

POST APPROPRIATIONS CONTROLS

After the budgeting and appropriations activity, the next step in the State's financial process is the actual payment for goods and services used by the State. The last two chapters examine the expenditure process and the types of expenditure review available to the General Assembly.

XII. EXPENDITURE PROCESS

This chapter analyzes the expenditure process. It begins with a discussion of impoundment and the allotment system, traces the expenditure process from obligation through preaudit and warrant issuance, and concludes with a consideration of the State's 90-day lapse period, during which obligations previously incurred may be charged against the previous fiscal year.

Impoundment and Allotment

The Illinois Constitution requires obligations or payments from public funds to be "authorized by law or ordinance" and establishes procedures for the General Assembly to make appropriations. There are no provisions, however, for cases where the legislature appropriates funds, and the Governor refuses to spend the money and "impounds" the funds.

The problems of executive impoundment at the federal level are not analogous to the situation in Illinois due to differences in the way the two legislative bodies appropriate funds. Illinois' appropriation language states explicitly that the General Assembly is granting agencies the ability to spend particular amounts "or so much thereof as may be necessary."

Congress, in contrast, authorizes agencies to spend up to a certain amount in a particular period in pursuit of various objectives. It then appropriates funds. In contrast to Illinois appropriations, federal appropriations often are carried over into succeeding years.

Federal appropriations are closer to actual disbursements from the treasury. Many federal agencies accumulate and use appropriation authority from earlier years. When unused federal appropriation authority expires, it is closer to the truth to say, "The funds have been returned to the treasury." When unused State appropriation authority lapses, the funds do not return to the treasury because the funds have never left. State appropriations are ceilings on spending, whereas federal appropriations are closer to spending allowances agencies can use now or save for future years.

Money is appropriated by Congress for particular programs. If the President proposes to rescind expenditure authority for a program and Congress turns down the proposal, then the funds must be spent on that program. In Illinois, operating funds usually are appropriated by items of expenditure, while programs are often appropriated in lump sums. This makes it very difficult for the legislature to compel the executive branch to expend operational funds.

The Congressional Budget and Impoundment Control Act of 1974 (PL 93-344) established procedures to prevent the President from impounding

appropriated funds without the consent of Congress. When the President wants to rescind or defer part or all of the expenditure authority for a particular program, he must submit a message to Congress. If Congress refuses to approve the impoundment, the funds must be released.

If the President tries to impound funds without notifying Congress, the Comptroller General may send deferral or rescission messages to Congress. These messages are then treated as if they came from the President, and Congress can approve or reject them. The Comptroller General may also bring civil actions to require that funds be released when Congress has refused presidential impoundment requests.

An Illinois Impoundment Control Act (HB 518), closely modeled on the impoundment section of the federal law, was introduced during the 1975 legislative session. For such an Act to be effective in Illinois, a change to more programmatic budgeting would be required, a change discouraged in other sections of this report. More importantly, Illinois appropriations would become mandates to spend, rather than spending limits. It is recommended that Illinois use formulas where mandated spending is desired and continue to use appropriations as spending ceilings.

One way of impounding money is through a system which allots less than the total appropriation to an agency for spending. About half of the State budget involves funds allotted periodically by law. State law requires a transfer by the fifteenth of each month from General Revenue to the Common School Fund for distribution to local school districts. In such cases, allotments are equal to the full appropriation, so the legality of an impoundment in this case would be questionable. It is recommended that a statute explicitly prohibit the impoundment of these formula funds.

This recommendation is not a suggestion that all formulas be fully funded. The school formula is a prominent example of an underfunded formula. The School Code contains a *pro rata* provision to adjust distribution when an appropriation is insufficient to meet formula claims. Another example of an underfunded formula is the Local Government Distributive Fund which distributes to local governments their share of the income tax. However, an appropriation could be passed at a less than fully funded level. That would represent a conscious decision by the General Assembly and the Governor to hold these funds in the State Treasury. While it is clear in the case of schools that the amount of underfunding is not owed to the local school districts, it is not clear whether the State would owe local governments for their share of the income tax. At the very least, the distribution of the locals' share would be deferred until additional appropriations are passed. It is recommended that the State continue the policy that no dollars can be spent in excess of appropriation, regardless of the dollar requirements of formulas found in substantive legislation.

Another kind of allotment control is used by the Bureau of the Budget (BoB) for the operating budgets of code departments. Each code department or agency submits a quarterly allotment plan which ostensibly controls cash flow and avoids deficiencies. These plans must be approved by BoB or the Governor.

The purpose of the allotment system is to call to the attention of BoB and the Governor "any appropriations that should not be spent because of changed circumstances or low priority programs." If such appropriations are identified, there is nothing in the statutes to prevent the Governor from impounding the funds.

The Comptroller records BoB approved allotments on the CUSAS system and notifies the Department of Finance whenever an agency has spent more than 90% of its allotment, but the Comptroller will not reject a voucher which exceeds the allotment because he is not legally bound to do so. The Comptroller does, however, continue to control at the appropriations level.

The Department of Finance would not permit spending that exceeded approved allotments prior to FY 1977. However, the Department of Finance's automated accounting system was phased out by FY 1977 because of the substantial overlap with the work of the Comptroller. When an agency is about to exceed its quarterly allotment, the Department of Finance sends a warning letter and a request for an explanation. A second warning is issued if necessary. If the agency still does not take steps to stay within the allotment, the Department of Finance notifies BoB, which presumably pressures the agency not to exceed the allotment. An agency can avoid exceeding its allotment in the short run by slowing the processing of vouchers, thus paying bills from one quarter out of the next quarter's allotment. However, appropriations are not exceeded if the Governor sets total allotments at a figure below the amount appropriated. This gubernatorial action is a form of impoundment to control agency spending.

Legislative staffs can review allotments to see whether impoundments are in effect, although the reported allotments could indicate a higher proposed expenditure than the executive planned. The staffs can monitor agency spending during the year through CUSAS reports. However, there are many delays which may make it difficult to determine whether actual spending corresponds to reported allotments.

A form of allotment control is used by the General Assembly. The language of the appropriations bills for FY 1977 limits the timing of contracts, obligations, and expenditures to the first half of the fiscal year. This legislative action was an attempt to prevent deficiencies and to smooth out cash flow in a fashion similar to the Governor's allotment system. Since these legislative allotments were statutory, they were enforced by the Comptroller.

The Expenditure Process

Obligations. An obligation is a statement that an agency intends to spend a certain amount of money on a certain item during the year. The obligation accounting system provides information. It reflects both the agency's incurred liabilities (in the form of contracts) and their general spending plan (in the form of blanket obligations which represent prospective liabilities). An obligation must be filed with the Comptroller if an agency contracts for $500 or more in certain goods or services from a single vendor. The Comptroller will not process any voucher for $500 or more which requires a contract to be on file unless the contract is on file, nor will he process a voucher which would cause spending on an item to exceed the amount obligated for that item.

The obligation accounting system was created to meet the statutory requirement that the Comptroller "develop and prescribe for use of all State agencies a uniform accounting system, applying the encumbrance method of accounting." The obligation system is closely tied to the State's contract requirements. According to the State Purchasing Act, contracts for professional and artistic services exceeding $2,500 per year must be filed with the Comptroller's Office. However, the Comptroller's Act requires filing of contracts (not just obligations) if such a voucher exceeds $1,500. It is recommended that all statutes be made uniform by lowering the filing requirements to $1,500. Ideally, the encumbrance method leads to better management and budgeting techniques by enabling agencies to control expenditures and not to exceed appropriations ceilings.

If obligations were not required, there would be liabilities in excess of spending authority. Payments to employees and vendors for services performed and goods delivered would have to await additional appropriations. Even with the obligation system, agencies have evaded the system and spent far more than their appropriations, as in the recent example of the State Fair Agency which also violated the State Purchasing Act.

Nevertheless, there are several problems with the obligation accounting system. First, it does not prevent contracting in excess of appropriation. If agencies fail to file obligations, then the system will not prevent obligations and expenditures from exceeding appropriations. If purchases are broken up into small vouchers, the system will not detect them. If there is no contract and a voucher which passes the Comptroller's preaudit is submitted for less than $500, the Comptroller will approve payment. Thus, obligations do not appear to add substantial control beyond the existing requirement that expenditures not exceed appropriations.

Commercial invoices and vouchers. After an obligation is filed, payments to vendors may be made. Although there are many types of payments made

by the Comptroller (Personal Services, Travel reimbursements, etc.), this section will use payments for "commercial transactions" as an example of the payment process. These transactions account for the overwhelming majority of State vouchers processed.

Invoice-voucher. The process begins when an agency which has purchased goods or services receives a bill or State invoice-voucher form from the vendor. If a vendor's own bill is received, the agency must complete and submit to the Comptroller an invoice-voucher form.

The invoice-voucher serves several purposes. It provides basic accounting information. It also serves as a legal document attesting to the propriety of the purchase. According to the Comptroller's Office, "If a purchase involves an expenditure of $2,500 or more, or if required by rule of the Department of General Services, the seller must certify that the goods or services meet the standards set forth in the contract." The head of a unit and the agency director also certify that the goods or services were provided, the amount is correct, and it has been approved for payment. The Comptroller cannot draw a voucher unless he is presented with an itemized voucher indicating that the obligation is pursuant to law and authorized.

Most of the information required on the voucher is obtained directly from the invoice. The agency supplies only a few short and straightforward items, such as the account code, detail object code, obligation number, voucher number, voucher date, and Internal Revenue Service reporting code.

The Department of Transportation uses a computerized vouchering system. All the necessary information from the original invoice is put directly onto computer tapes, which are used to produce invoice-vouchers; the tapes, invoice-vouchers, and original invoices are then forwarded to the Department of Finance and the Comptroller's Office for preaudit. Other major agencies are adopting a computerized voucher processing system or are at least investigating its feasibility. The Comptroller's Office has encouraged this change because it can speed up the processing of vouchers.

Preaudits. Illinois statutes require three levels of preaudit. These preaudits are performed by individual agencies, the Department of Finance, and the Comptroller.

The first preaudit takes place at the agency level. Most agencies preaudit the following:

(1) billing documentation;

(2) signatures;

(3) appropriation and vendor code numbers;

(4) vendor identification;

(5) obligations; and

(6) arithmetic.

Agencies may conduct preaudits at the regional or institutional level, at the central office, or both. The Department of Mental Health and Developmental Disabilities preaudits vouchers at the institution or regional office; most small agencies preaudit at the central office; and the Department of Corrections preaudits at both the institution and central office. In the last case, vouchers undergo two identical preaudits before leaving the agency. Even with all of these, however, some vouchers will still contain undetected errors because the quality of the audits varies.

The Department of Finance preaudits slightly more than 1.5 million vouchers annually. However, it no longer preaudits vouchers for items such as arithmetic errors or correct appropriation and vendor code numbers, since this is already done at least once by the agency and again by the Comptroller. Finance, however, does preaudit vouchers for a clear description of goods or services, proper billing documentation, and propriety of expenditure. Finance also monitors allotments.

When Finance checks for propriety, it might reject vouchers for items such as excessive travel charges, purchase of clothing, and billings for repairs to a personal automobile. For example, Finance might question and (hopefully) reject a voucher for 20,000 hula hoops. The Comptroller's preaudit, in contrast, would not question whether the State should buy hula hoops, but it would reject the voucher if it had an incorrect code number, incorrect signature, or arithmetic error.

The Comptroller's Office receives vouchers already audited by Finance as well as unaudited vouchers from agencies which are not required to submit vouchers to Finance. Vouchers from such agencies are checked manually and the information entered on computer tape. The computer tape is then also examined.

Although the Comptroller's and the agency's preaudits cover many of the same items, the law requires the Comptroller to examine every voucher. Therefore, when Finance submits both vouchers and computer tape, both are preaudited again. The Comptroller's preaudit finds errors in about 1.25% of vouchers which have been through Finance. The Comptroller tries to correct simple errors such as improper appropriation account numbers, vendor identification codes, detail object codes, and dates, over the phone. The Comptroller returns to agencies only about 2% of all the vouchers he receives.

Processing time. According to officials in Finance and the Comptroller's Office, it should take only a few days to complete the processing cycle of a voucher. Yet, numerous vendors and agency officials have complained of delays of three weeks or more.

In an attempt to assess the actual time it takes to process vouchers, the IEFC staff examined a random sample of 227 commercial vouchers from December 1974 and 186 commercial vouchers from December 1975. Table XII-1 shows the average length of time it took to process vouchers at their various stages in FY 1975 and FY 1976 for General Revenue and all other funds.

The data indicate that the longest processing time occurs at the agency level. Large decentralized departments take the longest time to process vouchers. Only the Department of Transportation processed its vouchers more quickly in 1975 than 1974.

The amount of time it took to process vouchers increased on average of eight working days for items payable from General Revenue. From 1974 to 1975, the Department of Children and Family Services, the Department of Public Aid, and the Division of Vocational Rehabilitation showed significant increases in their voucher processing time. The greatest increase in processing time occurred in the Department of Finance. Whereas in 1974 about one-quarter of the sample vouchers were delayed in Finance six days or more, in 1975 nearly one-half (44.1%) of the vouchers experienced such delays. In FY 1977, however, the Department of Finance preaudit is much more limited. This should improve processing time considerably.

Table XII-1. Processing time for vouchers, in working days.

		Agency	Department of Finance	Comptroller	Total
General Revenue	December 1974	12.7	3.6	3.1	19.4
	December 1975	16.1	8.9	2.7	27.7
Other Funds	December 1974	13.8	5.1	3.9	22.8
	December 1975	14.8	3.7	3.0	21.5
All Funds	December 1974	13.2	4.2	3.4	20.8
	December 1975	15.3	5.7	2.9	23.9

Source: Sample from Comptroller's records.

After the voucher has been reviewed and approved by the various preauditors, a warrant--approximately equivalent to a check--is prepared by the Comptroller's Office and countersigned and recorded by the State Treasurer. The warrant is then sent to the vendor, who cashes it. The expenditure process is recapitulated in Figure XII-1.

The Lapse Period

The State of Illinois--like most governments--is essentially on a cash basis of accounting with obligations encumbering appropriation authority to prevent overspending. Revenues are recorded only when cash is received, and expenditures are charged against the fiscal period when the cash is actually disbursed. However, the lapse period allows goods or services received or contracted for prior to July 1 and paid for by September 30 to be charged against the fiscal year in which they were received or contracted.

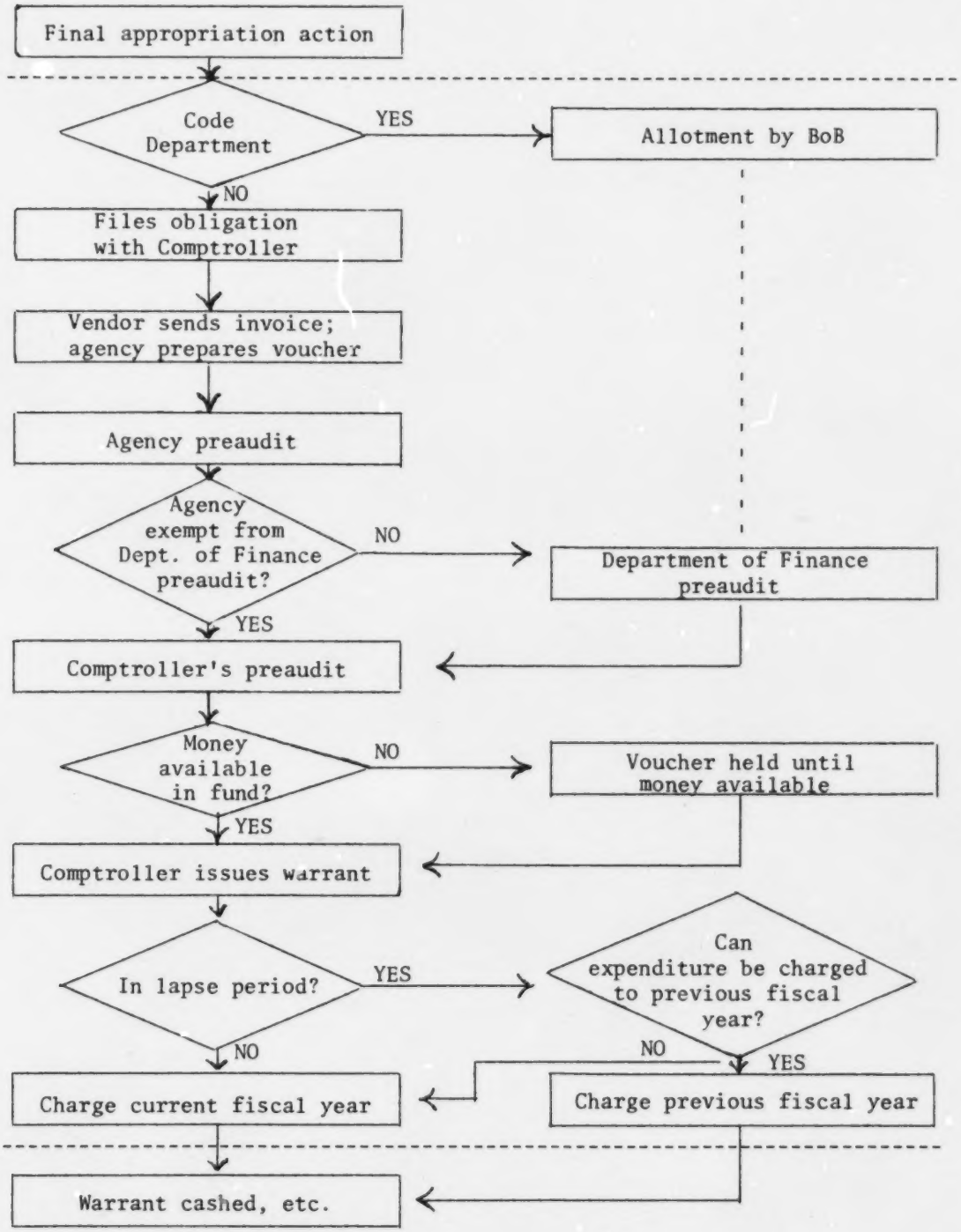
The lapse period may permit a realistic picture of the cost of government during a fiscal year. A good or service need not have been used or even received prior to July 1. To qualify for payment during the lapse period, however, a contract must be signed. The most obvious case is that of equipment. Of the $27 million spent for equipment in FY 1975, 43.6% was expended during the lapse period. Ordered late in FY 1975, much of this equipment was not even received in that fiscal year, and certainly its effective useful life did not begin until FY 1976.

On the other hand, allowing agencies to pay later for equipment ordered before July 1 is useful because it shows how the State looks from the point of view of outstanding liabilities. Thus a better picture can be drawn of the State's unencumbered resources as well as those resources which can be used for additional liabilities.

The record level of lapse period spending for FY 1975 had serious implications for the State's fiscal position. The State began FY 1976 with a smaller budgetary balance, while FY 1976 appropriation decisions were based in part on the assumption that the balance would be higher in the General Revenue and Common School funds. The lapse period itself did not lead to this inappropriate assumption, but the lapse period certainly delays the point at which a year's fiscal books can be closed.

Agencies have spent an increasing percentage of their appropriations over the past several years (see Table XII-2) due to (1) a change in the source of funds for permanent improvements, (2) better agency management practices, (3) tighter controls by the Governor and BoB, (4) closer scrutiny by the General Assembly, and (5) adoption of the two percent transfer provision as a substitute for the "Contingencies" line item. Agencies lapsed less than 3% of their FY 1974 and FY 1975 General Revenue and Common School appropriations and only 1.3%

Figure XII-1. Expenditure process.



in FY 1976. While a record 73% of the funds available for lapse period expenditure in FY 1976 was actually spent, this represented about 3.5% of total appropriations, the lowest percentage of total appropriations spent during the lapse period since annual budgets were adopted.

One important factor to consider in examining lapse period expenditures is that capital appropriations have been shifted gradually to funds other than General Revenue and Common School. Since capital projects often take more than one year and hence must be reappropriated, the total General Revenue appropriations figures for earlier years include money which was not spent that year. These appropriations inflate the percentage of appropriations available for lapse period spending and the percentage lapsed, while decreasing the percentage available which was spent during the lapse period. As less and less capital is funded from General Revenue, total appropriations from General Revenue become more closely representative of operating cost.

Another reason for lower lapses is the enactment of legislation allowing agencies to transfer up to 2% of the sum of a number of line items. Agencies no longer need to maintain a "surplus" in every line item, as long as they can derive funds from their total set of line items.

Table XII-2. General Revenue and Common School funds lapse period expenditures.

	Appropriations and Reappropriations (in millions)	Percent of Appropriations Available for Lapse Period[a]	Percent of Total Spent in Lapse Period	Percent Lapsed	Percent of Available Spent
FY 1976	$5,364	4.8%	3.5	1.3%	73.3%
FY 1975	4,996	7.8	5.1	2.7	66.1
FY 1974	4,298	6.1	3.8	2.3	62.4
FY 1973	4,134	9.6	5.3	4.3	55.0
FY 1972	3,761	11.3	3.9	7.4	34.7
FY 1971	3,280	10.4	3.8	6.6	36.2
FY 1970	2,749	13.0	3.5	9.5	26.6

[a]The percent available for lapse period spending is the percent of appropriations unspent as of June 30.

Source: Comptroller's Office.

There are several alternatives which could change the pattern of lapse period spending. First, unused appropriation authority could be carried over to the following year. Many federal appropriations which are not exhausted in their initial year can be used in succeeding years. This separates further the time between initial appropriation and last expenditure. It would also allow agencies to use earlier unexpended appropriations to supplement current spending authority and even to fund activities denied current spending authority. Second, the lapse period could be eliminated. However, several states which do not have a lapse period have to insure vendor payments by the use of continuing resolutions. Third, the definition could be changed so that only goods and services actually received (not just encumbered) prior to June 30 would be payable during the lapse period.

It is recommended that the present system of lapse period spending be retained because the present system allows the legislature a better idea of the State's liabilities and unobligated resources.

XIII. EXPENDITURE REVIEW

After funds are appropriated, it is necessary to verify that the money was spent for the goods and services the legislature intended and that the results are worth the costs. This process--called expenditure review--is performed in systematic fashion by two legislative agencies--the Auditor General and the Economic and Fiscal Commission. It is also carried out informally by legislators and legislative staffs. This chapter examines the main types of expenditure review and describes the structure and functions of legislative review agencies in Illinois.

Types of Expenditure Review

Expenditure review involves four types of considerations:

(1) Legality. Was money spent on the items for which it was appropriated? Were expenditures made in accordance with State laws? Were they recorded properly?

(2) Efficiency. Was the program operated as efficiently as possible?

(3) Policy conformance. Did the policies, administrative actions, and expenditures carried out by an agency conform to the expectations of the General Assembly?

(4) Effectiveness. Did the program achieve the results desired by the General Assembly and the Governor?

Each of these questions involves a different kind of review, but all four are necessary. For example, serious inefficiency should not be tolerated even though a program is effective. It is equally unacceptable to operate a program without beneficial results even if it is operated efficiently.

Legality. The first type of review, called financial or compliance auditing, investigates whether obligations and expenditures are legal and proper. The statutes require biennial audits of this type for all State agencies. In addition, the larger executive agencies also undergo internal audits to certify expenditures.

Efficiency. The second type of review is the efficiency, management, or operational audit, which examines an agency's processes to determine whether work is being done simply, efficiently, and economically.

Policy conformance. This review verifies that policy objectives are accomplished and that the means employed are not inconsistent with the expectations of the General Assembly. Sending Illinois wards to out-of-

state institutions produced mixed results, but general reaction to that policy was unfavorable. It was felt that all Illinois wards under the custody of the Department of Children and Family Services should be placed within the State.

Another example of policies which do not conform to legislative mandate is the two percent transfer provision. It was enacted originally to eliminate the need for small supplemental appropriations and the "Contingencies" line item. It was *not* enacted to allow agencies to make major reallocations after their appropriations passed. The Department of Mental Health and Developmental Disabilities has an FY 1977 General Revenue transfer potential of more than $5.8 million. This could be used for 500 additional jobs for one year, for legal fees, or for any of the other myriad activities within the scope of that department. Another example is the University of Illinois, which has a transfer potential of $4.5 million from General Revenue and $575,800 from the Income Fund.

As a rule, policy nonconformance is not detected in the systematic expenditure review carried out by the Auditor General and the Illinois Economic and Fiscal Commission. Systematic expenditure review tends to consist of checks for legality, efficiency, and effectiveness, but nonconforming policies can be legal, efficient, and effective. In addition, it is difficult to discover specific expressions of legislative intent with respect to means. The General Assembly does express some concern for means in its use of line items instead of broad program categories. Nevertheless, the importance of how government does things requires that executive policies and administrative actions be checked for policy conformance. Those policies and actions which deviate significantly from legislative expectations will probably surface as a result of legislative oversight.

Legislative oversight and expenditure controls represent the most effective legislative controls over the executive. Legislative oversight activities are undergirded by that sense of institutional rivalry which most legislators bear toward the executive branch. To be sure, party ties with the Governor or alliances of mutual interest with particular administrative agencies mitigate and blunt legislative-executive antagonism. Many legislators perceive of the oversight task as predominantly a negative or checking activity, but oversight also provides agencies with an appreciation of legislative expectations about various matters.

Appropriations committee members use both statutory and nonstatutory oversight techniques. The most obvious kind of statutory control flows from appropriations decisions. Appropriation levels control agency activity. If an agency or part of an agency is suspected of not using funds in accordance with the General Assembly's wishes, the legislature can exert financial leverage to insure compliance. The legislature has

inserted language in appropriations bills specifying the conditions under which money can be obligated. In one case, the legislature tried to "limit" the use of funds by stating that "no part of their appropriation shall be expended for (a specified activity)." Or the General Assembly may fix the length of time over which the money can be obligated, usually for a single fiscal year but sometimes less.

The legislature can also pursue its oversight tasks in nonstatutory ways. Hearings are held each year to examine agency budget requests and to question agency officials. Opportunity exists, both "on and off the record," to scrutinize agency behavior and to communicate legislative preferences to the appropriate agency officials. Another nonstatutory means of oversight involves the informal contact, face-to-face or written, between the individual legislators and staffs on the one hand and the agency director and budget officers of executive agencies on the other. The influence of the Appropriations Committee can be wielded through fairly continuous personal communication with executive agency personnel.

The importance of legislative oversight derives not only from the fact that the General Assembly holds the power of the purse, but also from the frequency of opportunity for control. Since appropriations decisions are made annually, the legislature can be continuously watchful. The same legislators who make the original decisions are there to check on agency compliance. Informal oversight activity surrounds appropriations hearings, and formal oversight activity takes root there.

Effectiveness. The fourth type of review is "program audit" or "program evaluation," which focuses on the results of programs rather than on means. It examines whether intended or assumed objectives are accomplished. For example, in a manpower training program an evaluation might determine whether the people enrolled acquired any occupational skills, whether they were placed in jobs, and whether the results justified public investment.

One major problem in program evaluation is determining the intended consequences of a program. Most governmental functions have multiple purposes which complicate the problem of specifying goals. Furthermore, it may not be possible to develop a consensus about a particular agency's objectives. Is the purpose of the Department of Corrections incarceration, rehabilitation, or punishment?

The powers and duties of agencies are enumerated in the statutes but do not specify the relative emphases which agencies are to give each program. In one sense, dollar amounts are indications of the General Assembly's priorities, but in many instances appropriations are made to divisions which have more than one program or goal. While it may be possible to evaluate progress toward explicit program goals, comparing programs is more difficult because priorities are not expressed explicitly in appropriations bills.

Another major problem with program evaluation is measurement. While financial data are abundant, the assumptions necessary for governmental cost accounting raise questions about its value. Social indicators and social accounts have been developed to some extent, but there is still considerable debate over what to measure and the appropriate levels of measurement. Since most agencies do not keep records which spotlight inefficiency or ineffectiveness, the analyst or evaluator must actually "set up the books." He must decide what data to compile and examine (and often he must collect the data himself). The adoption of regular performance reporting, as suggested in Chapter IX, would facilitate this kind of expenditure review. Program evaluation data are also relatively expensive to accumulate regardless of their reliability. Finally, there is the intricate problem of interpreting the assessment of costs and benefits--which is not easy even if there are reliable indicators of costs and benefits.

However, the Comptroller's Uniform Statewide Accounting System (CUSAS) in its present or even a revised form cannot be expected to provide such program cost data except where agency divisions correspond exactly to programs. When a unit of an agency, such as a mental health institution, provides a variety of programmatic services, only the agency can design and maintain a meaningful cost accounting system. Consequently, the IEFC staff recommends that no across-the-board attempt be made to develop a unified programmatic accounting system.

Systematic Expenditure Review

Systematic expenditure review for the Illinois legislature is conducted by the Office of the Auditor General and the Illinois Economic and Fiscal Commission (IEFC). The Office of the Auditor General was made part of the legislative branch in 1973. Before that time, the office was lodged in a Department of Audits, nominally in the executive branch but responsible to a legislative commission. The 1973 State Auditing Act enlarged the scope of activities from a narrow focus on financial audits to a broader responsibility encompassing management, efficiency, and program effectiveness audits. The Auditor General contracts out financial and compliance audits while building up its management ("efficiency") audit staff. That staff has undertaken about a dozen studies in the past year. The Program Audit Division, which has no staff except a director and two assistants, contracted out for a program audit of the Division of Vocational Rehabilitation.

The IEFC, successor to the Illinois Budgetary Commission, was established July 1, 1972. It was assigned three main responsibilities: to prepare an annual revenue estimate and economic forecast; to provide the General Assembly with the most reliable and authoritative information possible about the operations of State government and economic developments and trends in Illinois; and to conduct studies and to make recommendations "intended to improve the functioning of State government." This wording

was interpreted to empower the Commission to perform program evaluation studies. Since 1972, the IEFC has achieved national prominence and recognition as a legislative program evaluation agency.

It may appear there is some duplication of effort between the IEFC and the Office of the Auditor General, but it is premature to consider removing program evaluation responsibility from the Illinois Economic and Fiscal Commission.

The IEFC should continue to perform program evaluations for several reasons. Only the Economic and Fiscal Commission has developed the in-house capability to carry out program evaluation. Until the Auditor General develops its own internal program evaluation staff, the Commission should continue to do program evaluation studies.

Even after the maturation of the Auditor General's program evaluation capabilities, it may be in the interest of the General Assembly to retain program evaluation capabilities in both agencies. State government is very diverse, and the kinds of talents needed to evaluate its programs similarly will be diverse. The accounting and auditing emphasis of the Auditor General and the economic and social science focus of the Economic and Fiscal Commission will influence the perspectives of the program analysts within each unit. Different perspectives will give the General Assembly a choice of intellectual approaches in evaluating a particular program. At times, there might even be a role for both perspectives.

The distinction between program evaluations and special studies is not altogether self-evident. Limiting the Auditor General to one and the Economic and Fiscal Commission to another may not be to the General Assembly's advantage. More importantly, it may be a step backward to separate expenditure analysis from the results of those expenditures.

As long as the General Assembly needs a bipartisan agency with strong analytic capabilities in economic forecasting, revenue policy, and fiscal projections, it would be unwise to strip the Economic and Fiscal Commission of its program evaluation capabilities. The Commission can expand its nonprogram evaluations to include review of future fiscal projections, review of multi-year projections for capital requests (Chapter XI), and independent long-term estimates of overall spending and revenue. Appendix XIII-A lists some studies undertaken by a similar agency in Ohio.

APPENDICES

APPENDIX I-A

GLOSSARY

Accounting System -- All the records, formal and informal, together with the procedures related to the assembling, classifying, recording, and reporting of information concerning the financial operations and conditions of a fiscal entity.

Agency -- Any department, officer, authority, public corporation, quasi-public corporation, commission, board, institution, State college or university and any other public agency created by the State, other than units of local government and school districts.

Allotment -- An amount administratively authorized to incur obligations and expenditures over a period of time which may be derived from a more general authority, such as an appropriation. Allotments are made in order to control obligations and expenditures over a period of time which is less than one year--generally one fiscal quarter. Certain selected appropriations require the Governor's release to comply with the language of the appropriation act. The amounts allotted or released may be less than or equal to the amount appropriated.

Allotment Unobligated -- Portion of an allotment not yet expended or obligated; the balance of the allotment remaining after deducting the accumulated expenditures and outstanding obligations.

Appropriation -- A stautory authorization granted by the legislative body to an agency allowing it to incur obligations and make expenditures for specific purposes within a specified period of time and generally for a maximum dollar amount.

Appropriation-Deficiency -- An appropriation which is made when the purpose of the regular appropriation has not been completed but the regular appropriation money has been exhausted.

Appropriation-Line Item -- The objects and purposes as defined in Section 13 of the Finance Act for which appropriations are made. The standard line items are Personal Services, Contractual Services, Travel, Commodities, Equipment, Permanent Improvements, Land, Electronic Data Processing, Operation of Automotive Equipment, Telecommunications Services, Contingencies, and Reserve.

Appropriation-Lump Sum -- An appropriation for expenditures of two or more of the standard common objects. Such appropriations are used for projects or activities where a breakdown into a standard common object would be impractical or undesirable.

Appropriation-Reappropriation -- An appropriation which is made at the end of a fiscal year to carry forward the unexpended portion of an expiring appropriation.

Appropriation-Supplemental -- An appropriation which is made when the purpose of a regular appropriation has been expanded.

Appropriation Balance-Unexpended -- Portion of an appropriation available for expenditure. Appropriation amount less fiscal year-to-date expenditures.

Appropriation Balance-Unobligated -- That portion of an appropriation available for expenditure and obligation not yet expended or obligated; the balance remaining after deducting from the appropriation the accumulated net expenditures and outstanding obligations.

Beginning Year-Available Balance -- Fund balance available for expenditure at the beginning of the current fiscal year (July 1).

Bonded Indebtedness -- That portion of debt, represented by outstanding bonds, owed by the State government or by State agencies.

Budget -- A plan of proposed expenditures and the means of financing them with respect to a specific period of time. The plan may be for a particular organizational unit or for some combination--such as all State agencies.

Cash Balance (Treasurer) -- Currency, checks, postal and express money orders, and bankers drafts on deposit with the State Treasurer. CUSAS operational reports will present the balances currently on deposit with the Treasurer.

Cash Basis -- The basis of accounting under which revenues are recorded when received in cash and expenditures are recorded when paid.

Cash Receipt -- For initial CUSAS implementation for funds held by the Treasurer, cash receipt will be defined as cash received by a State agency and ordered by the Comptroller into the State Treasury or into a fund held by the Treasurer; or cash received by a State agency for which it acknowledges accountability.

CUSAS -- Comptroller's Uniform Statewide Accounting System.

Detail Object -- Description of an expenditure at its lowest level in the Statewide Accounting System.

Disbursement -- Payment by the Treasurer of a valid warrant issued and presented for payment by the payee or by a holder in due course.

Division -- Organizational unit; for appropriation purposes within an agency.

Encumbrance -- Prospective expenditures, such as purchase orders or executory contracts, to be recognized at the time the purchase order or executory contract is issued.

Equipment -- Tangible personal property of a nonconsumable nature used in the operations of a State agency costing $25 or more under current criteria.

Expenditure -- Exchange of an asset of the State or incurrence of a liability by a State agency for an asset, goods received, or services rendered. (1) At the agency level. . . when a voucher for goods and/or services is submitted by an agency for approval and payment by the Comptroller. (2) At the Comptroller level. . . when the Comptroller approves a voucher for payment, as evidenced by the issuance of a warrant.

Expenditures-Lapse Period -- Warrants issued for goods or services less cash refunds and voided warrants for the lapse period.

Fiscal Year -- The twelve-month period between July 1 of one year and June 30 of the following calendar year which is the legal period for budgeting and accounting for State government operation.

Fund(s) -- (1) A fiscal and accounting entity, established by statute or administrative action, recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation. (2) General resources of a State agency or a fund.

Fund Group -- A group of funds which are similar in purpose or character. The fund groups are: General Purpose Funds, Highway Funds, University Income Funds, Special State Funds, Bond Financed Funds, Debt Service Funds, Federal Trust Funds, Revolving Funds, State Trust Funds, and Other Trust Funds.

Fund-Federal Appropriation -- The estimated resources to be received from the federal government that are appropriated by the General Assembly for a fund.

Fund-Nonappropriated -- The expenditures of a fund that are not appropriated by the General Assembly.

Funds-Bond Financed -- Those funds established to receive and administer the proceeds of various bond issues of the State.

Funds-Debt Service -- Those funds established to finance and account for the payment of principal redemption and interest associated with the general obligation bond issues of the State.

Funds-Federal Trust -- Those funds established pursuant to grants and contracts between State agencies and the United States. These funds are administered for the specific purposes established by the terms of the grants and contracts.

Funds-General Purpose -- Those funds established to receive the major portion of tax revenues and to pay the regular operating and administrative expenses of most State agencies.

Funds-Highway -- Those funds established to receive and distribute special assessments related to transportation, such as Motor Fuel Tax, and to support the construction and maintenance of transportation facilities and activities of the State of Illinois.

Funds-Other Trust -- Those funds established to receive and account for resources for subsequent disbursement to a designated recipient. Escrow funds are an example of an "Other Trust Fund."

Funds-Revolving -- Those funds established to finance and account for intergovernmental services. Appropriation of resources of these funds is dependent upon intergovernmental service requirements and appropriations of other State agencies. Revolving fund resources are provided by expenditures of State agencies for the goods or services financed by the fund.

Funds-Special State -- Those funds designated in Section 5 of the Finance Act as special funds in the State Treasury and not elsewhere classified. They represent a segregation of accounts for specific purposes on a substantially perpetual basis.

Funds-State Trust -- Those funds established by statutes or under statutory authority for specific purposes.

Funds-Temporary Trust -- A trust fund or bank deposit established upon the writeen approval of the Governor and the State Comptroller by an officer or employee who receives or has in his possession money under conditions which do not require payment into the State Treasury, and where there is no trust fund or bank deposit authorized by law for the receipt of the moneys. The Temporary Trust Fund shall be legal until the thirtieth day after the sine die adjournment of the next regular session of the General Assembly.

Funds-University -- Those funds which receive revenues such as fees, tuition, and excess income from auxiliary enterprises at State supported institutions of higher education. The General Assembly appropriates resources of these funds for the support, operation, and improvement of State supported colleges and universities. This group also includes those funds administered by universities and not subject to appropriation.

Generally Accepted Accounting Principles -- The conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The principles have developed on the basis of experience, reason, custom, usage, and to a significant extent practical necessity.

Governmental Accounting -- The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governmental units and agencies.

Grant -- A contribution made by one governmental unit (State or federal) to another unit or to an individual. The contribution is usually made to aid in the support of a specified function, but it may be for general purposes.

Lapse -- The legal termination of the unexpended balance of an appropriation at a specified point in time.

Lapse Amount -- The unexpended balance of an appropriation which becomes legally unavailable for expenditure at a specified date.

Lapse Period -- The three-month period ending September 30 during which obligations outstanding at June 30 may be liquidated under provisions of Section 25 of the Finance Act.

Lapse Period Expenditures -- Expenditures incurred during the lapse period of the prior fiscal year.

Liabilities -- Legal obligations, arising out of transactions in the past, that must be liquidated, renewed, or refunded at some future date.

Lump Sum Appropriation -- An appropriation made to an agency for a stated purpose, without specifying the amounts that may be spent for specific activities or for particular objects of expenditure.

Modified Accrual -- The basis of accounting in which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash.

Object of Expenditure -- The purpose for which the State's resources has been expended such as travel, equipment, etc.

Obligations -- Amounts which a governmental unit may be legally required to meet out of its resources, including encumbrances, as well as accounts payable and accrued liabilities.

Obligations-Outstanding -- Total prospective expenditures recorded with the Comptroller such as purchase orders or executory contracts.

Outstanding Encumbrances -- The portion of the total prospective expenditures filed (such as purchase orders or executory contracts) that still remains to be liquidated.

Percentage Lapsed -- That percentage of an appropriation which becomes legally unavailable for expenditure at a specified period of time.

Preaduit -- An examination for the purpose of determining the propriety of a proposed financial transaction or of a transaction currently in process. (1) At the agency level: An examination by the agency for the purpose of determining the legality and propriety of a proposed transaction or of a transaction in process. (2) At the Comptroller level: An examination by the Comptroller of a transaction in process for the purpose of determining its legality and regularity.

Program Budget -- A budget wherein projected expenditures are based on programs of work and secondarily on character and object.

Receipts -- Cash received and ordered by the Comptroller into the State Treasury.

Resources -- The actual assets of a governmental unit such as cash, receivables, investments, and property which are available for the discharge of given responsibilities and attainment of governmental objectives.

Revenue -- Additions to assets which do not increase any liability or represent the recovery of an expenditure; and/or the cancellation of liabilities without a corresponding increase in other liabilities or a decrease in assets.

Statute -- A law enacted by the legislative body.

Transfer Base-Two Percent -- Appropriation amount available for transfer.

Transfers -- (1) Interfund-increases in the resources of one or more funds of a governmental unit which are offset by corresponding decreases in the resources of one or more other funds of the governmental unit. (2) Intrafund-changes in appropriated or proprietary account balances within a given fund, the net effect of which upon the fund balance is zero.

Transfers In-Fund -- Increases in the available fund balance which are offset by corresponding decreases in the available fund balance of one or more other funds.

Transfers Out-Fund -- Decreases in the available fund balance of a fund which are offset by corresponding increases in the available fund balance of one or more other funds.

Unencumbered Balance of Appropriation or Allotment -- That portion of an appropriation or allotment not yet expended or encumbered (obligated); the balance remaining after deducting from the appropriaton or allotment the accumulated expenditures and outstanding encumbrances (obligations).

Unobligated Balance of Appropriation or Allotment -- That portion of an appropriation or allotment not yet expended or obligated; the balance remaining after deducting from the appropriation or allotment the accumulated expenditures and outstanding obligations.

Unexpended Balance of Appropriation or Allotment -- That portion of an appropriation or allotment which has not been expended; the balance remaining after deducting from the appropriaton or allotment the accumulated expenditures (warrants issued).

Voucher -- A document submitted by a governmental agency requesting that payment be made to a vendor for goods receives or services performed or authorized. It evidences the propriety of a transaction and indicates the account(s) in which it is to be recorded.

Voucher-Invoice -- A voucher used to request payment to a vendor for goods received or services performed except for personal services and travel and those instances in which list vouchers are used.

Warrant -- A warrant is a negotiable instrument drawn by the Comptroller on the State Treasury to effect payment of funds held by the Treasurer for debts incurred by State agencies or for fund transfers authorized for payment by the Comptroller.

Warrants-Escheated -- If a warrant has been outstanding after issuance for more than six months, it is escheated (void) and is no longer outstanding.

Source: Comptroller, CUSAS Manual, p. 05.50.01 - 05.50.30 and IEFC staff

APPENDIX I-B

THE STATE FINANCE ACT

AN ACT in relation to State finance. [Approved June 10, 1919. L. 1919, p. 946.]

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

137. Fiscal year.] § 1. The fiscal year of this State shall commence July 1 and close June 30. As amended by act approved, July 9, 1951. L. 1951, p. 1231.

138. Reports.] § 2. Whenever the constitution or any statute, in term or effect, requires a report or account to be made or rendered by any officer, department, institution, board or commission for a year, such report or account, so far as it relates to receipts and disbursements of money, shall be for the preceding fiscal year, unless the calendar year be expressly mentioned.

139. Executive officers and public institutions—Biennial report.] § 3. Each officer of the executive department and all public institutions of the State shall, at least ten days preceding each regular session of the General Assembly, make and deliver to the Governor a biennial report of their acts and doings, respectively, arranged so as to show the acts and doings of each fiscal year separately, closing with the fiscal year preceding each regular session of the General Assembly.

140. General revenue fund defined.] § 4. All money, belonging to or for the use of the State, paid into the treasury thereof, not belonging to any special fund in the State treasury, shall constitute the general revenue fund.

141. Special funds in State Treasury—Transfer of balance in discontinued fund.] § 5. There are special funds in the State Treasury designated as specified in the Sections which succeed this Section 5 and precede Section 6.

When any special fund in the State Treasury is discontinued by an Act of the General Assembly, any balance remaining therein on the effective date of such Act shall be transferred to the General Revenue Fund, or to such other fund as such Act shall provide. Warrants outstanding against such discontinued fund at the time of the transfer of any such balance therein shall be paid out of the fund to which the transfer was made.

When any special fund in the State Treasury has been inactive for 18 months or longer, the fund is automatically terminated by operation of law and the balance remaining in such fund shall be transferred by the Comptroller to the General Revenue Fund. When a special fund has been terminated by operation of law as provided in this Section, the General Assembly shall repeal or amend all Sections of the statutes creating or otherwise referring to that fund.

The Comptroller shall be allowed the discretion to maintain or dissolve any Federal trust fund which has been inactive for 18 months or longer.

Amended by P.A. 79–1424, § 1, eff. Oct. 1, 1976.

P.A. 78–1297, the 1974 Revisory Act, declared in its title that it related to "certain nonsubstantive revisions of the law to resolve differences among the several forms of certain Sections amended by more than one Act of the 78th General Assembly".

141.01. The Agricultural Premium Fund.] § 5.01. The Agricultural Premium Fund.

Formerly § 5. Resectioned in part § 5.01 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.02. The Air Transportation Revolving Fund.] § 5.02. The Air Transportation Revolving Fund.

Formerly § 5. Resectioned in part § 5.02 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.03. The Anti-Pollution Fund.] § 5.03. The Anti-Pollution Fund.

Formerly § 5. Resectioned in part § 5.03 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.04. The Anti-Pollution Bond Retirement and Interest Fund.] § 5.04. The Anti-Pollution Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.04 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.05. The Board of Governors of State Colleges and Universities Income Fund.] § 5.05. The Board of Governors of State Colleges and Universities Income Fund.

Formerly § 5. Resectioned in part § 5.05 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.06. The Board of Regents Income Fund.] § 5.06. The Board of Regents Income Fund.

Formerly § 5. Resectioned in part § 5.06 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.07. The Capital Development Fund.] § 5.07. The Capital Development Fund.

Formerly § 5. Resectioned in part § 5.07 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.08. The Capital Development Bond Retirement and Interest Fund.] § 5.08. The Capital Development Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.08 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.09. The Coal Development Fund.] § 5.09. The Coal Development Fund.

Formerly § 5. Resectioned in part § 5.09 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.10. The Coal Development Bond Retirement and Interest Fund.] § 5.10. The Coal Development Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.10 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.11. The Common School Fund.] § 5.11. The Common School Fund.

Formerly § 5. Resectioned in part § 5.11 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.12. The Communications Revolving Fund.] § 5.12. The Communications Revolving Fund.

Formerly § 5. Resectioned in part § 5.12 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.13. The Dangerous Drugs Commission Fund.] § 5.13. The Dangerous Drugs Commission Fund.

Formerly § 5. Resectioned in part § 5.13 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.14 § 5.14. (P.A. 78–1297, § 51). Repealed by P.A. 79–475, § 1, eff. Oct. 1, 1975.

141.15. The Downstate Public Transportation Fund.] § 5.15. The Downstate Public Transportation Fund.

Formerly § 5. Resectioned in part § 5.15 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.16. The Drivers Education Fund.] § 5.16. The Drivers Education Fund.

Formerly § 5. Resectioned in part § 5.16 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.17. The Fair and Exposition Fund.] § 5.-17. The Fair and Exposition Fund.

Formerly § 5. Resectioned in part § 5.17 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.18. The Federal Aid Road Fund.] § 5.18. The Federal Aid Road Fund.

Formerly § 5. Resectioned in part § 5.18 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.19. The Federal Fiscal Assistance Trust Fund.] § 5.19. The Federal Fiscal Assistance Trust Fund.

Formerly § 5. Resectioned in part § 5.19 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.20. The Fire Prevention Fund.] § 5.20. The Fire Prevention Fund.

Formerly § 5. Resectioned in part § 5.20 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.21. The Game and Fish Fund.] § 5.21. The Game and Fish Fund.

Formerly § 5. Resectioned in part § 5.21 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.22. The Grade Crossing Protection Fund.] § 5.22. The Grade Crossing Protection Fund.

Formerly § 5. Resectioned in part § 5.22 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.23. The Highway Safety Fund.] § 5.23. The Highway Safety Fund.

Formerly § 5. Resectioned in part § 5.23 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.24. The Illinois Compensation Fund.] § 5.24. The Illinois Compensation Fund.

Formerly § 5. Resectioned in part § 5.24 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.25. The Illinois Educational Development Fund.] § 5.25. The Illinois Educational Development Fund.

Formerly § 5. Resectioned in part § 5.25 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.26. Illinois thoroughbred breeders fund.] § 5.26. The Illinois Thoroughbred Breeders Fund.

Amended by P.A. 79–1185, § 48, eff. Jan. 1, 1976.

141.26a. Illinois standardbred breeders fund.] § 5.26a. The Illinois Standardbred Breeders Fund.

Added by P.A. 79–1185, § 48, eff. Jan. 1, 1976.

141.26b. Illinois race track improvement fund.] § 5.26b. The Illinois Race Track Improvement Fund.

Added by P.A. 79–1185, § 48, eff. Jan. 1, 1976.

141.27. The Illinois Veterans Home Fund.] § 5.27. The Illinois Veterans Home Fund.

Formerly § 5. Resectioned in part § 5.27 and amended by P.A. 78–1297, § 51, eff. March 4, 1975.

141.28. The Illinois Veterans' Rehabilitation Fund.] § 5.28. The Illinois Veterans' Rehabilitation Fund.

Formerly § 5. Resectioned in part § 5.28 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.29. The Local Government Distributive Fund.] § 5.29. The Local Government Distributive Fund.

Formerly § 5. Resectioned in part § 5.29 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.30. The Local Governmental Law Enforcement Officers Fund.] § 5.30. The Local Governmental Law Enforcement Officers Fund.

Formerly § 5. Resectioned in part § 5.30 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.31. The Manpower Development and Training Revolving Fund.] § 5.31. The Manpower Development and Training Revolving Fund.

Formerly § 5. Resectioned in part § 5.31 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.32. The Mental Health Fund.] § 5.32. The Mental Health Fund.

Formerly § 5. Resectioned in part § 5.32 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.33. The Metropolitan Fair and Exposition Authority Reconstruction Fund.] § 5.33. The Metropolitan Fair and Exposition Authority Reconstruction Fund.

Formerly § 5. Resectioned in part § 5.33 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.34. The Motor Fuel Tax Fund.] § 5.34. The Motor Fuel Tax Fund.

Formerly § 5. Resectioned in part § 5.34 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.35. The Office Supplies Revolving Fund.] § 5.35. The Office Supplies Revolving Fund.

Formerly § 5. Resectioned in part § 5.35 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.36. The Paper and Printing Revolving Fund.] § 5.36. The Paper and Printing Revolving Fund.

Formerly § 5. Resectioned in part § 5.36 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.37. The Public Building Fund.] § 5.37. The Public Building Fund.

Formerly § 5. Resectioned in part § 5.37 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.38. The Public Transportation Fund.] § 5.38. The Public Transportation Fund.

Formerly § 5. Resectioned in part § 5.38 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.39. The Public Utility Fund.] § 5.39. The Public Utility Fund.

Formerly § 5. Resectioned in part § 5.39 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.40. The Public Welfare Building Fund.] § 5.40. The Public Welfare Building Fund.

Formerly § 5. Resectioned in part § 5.40 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.41. The Public Welfare Building Bond Retirement and Interest Fund.] § 5.41. The Public Welfare Building Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.41 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.42. The Road Fund.] § 5.42. The Road Fund

Formerly § 5. Resectioned in part § 5.42 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.43. The School Construction Fund.] § 5.-43. The School Construction Fund.

Formerly § 5. Resectioned in part § 5.43 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.44. The School Construction Bond Retirement and Interest Fund.] § 5.44. The School Construction Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.44 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.45. The Service Recognition Bond, Interest and Retirement Fund.] § 5.45. The Service Recognition Bond, Interest and Retirement Fund.

Formerly § 5. Resectioned in part § 5.45 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.46. The Soldiers Compensation Fund.] § 5.46. The Soldiers Compensation Fund.

Formerly § 5. Resectioned in part § 5.46 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.47. The Southern Illinois University Income Fund.] § 5.47. The Southern Illinois University Income Fund.

Formerly § 5. Resectioned in part § 5.47 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.48. The State Boating Act Fund.] § 5.48. The State Boating Act Fund.

Formerly § 5. Resectioned in part § 5.48 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.49. The State Bond Road Fund.] § 5.49. The State Bond Road Fund.

Formerly § 5. Resectioned in part § 5.49 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.50. The State Garage Revolving Fund.] § 5.50. The State Garage Revolving Fund.

Formerly § 5. Resectioned in part § 5.50 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.51. The State Housing Fund.] § 5.51. The State Housing Fund.

Formerly § 5. Resectioned in part § 5.51 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.52. The State Lottery Fund.] § 5.52. The State Lottery Fund.

Formerly § 5. Resectioned in part § 5.52 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.53. The State Parks Fund.] § 5.53. The State Parks Fund.

Formerly § 5. Resectioned in part § 5.53 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.54. The State Pensions Fund.] § 5.54. The State Pensions Fund.

Formerly § 5. Resectioned in part § 5.54 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.55. The Statistical Services Revolving Fund.] § 5.55. The Statistical Services Revolving Fund.

Added by P.A. 78–1297, § 51, eff. March 4, 1975.

Formerly § 5. Resectioned in part § 5.55 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.56. The St. Louis Metropolitan Area Airport Authority Bond Retirement and Interest Fund.] § 5.56. The St. Louis Metropolitan Area Airport Authority Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.56 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.57. The United States Veteran's Bureau Fund.] § 5.57. The United States Veteran's Bureau Fund.

Formerly § 5. Resectioned in part § 5.57 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.58. The Universities Building Fund.] § 5.58. The Universities Building Fund.

Formerly § 5. Resectioned in part § 5.58 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.59. The Universities Building Bond Retirement and Interest Fund.] § 5.59. The Universities Building Bond Retirement and Interest Fund.

Formerly § 5. Resectioned in part § 5.59 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.60. The University Income Fund.] § 5.60. The University Income Fund.

Formerly § 5. Resectioned in part § 5.60 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.61. The Vehicle Recycling Fund.] § 5.61. The Vehicle Recycling Fund.

Formerly § 5. Resectioned in part § 5.61 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.62. The Working Capital Revolving Fund.] § 5.62. The Working Capital Revolving Fund.

Formerly § 5. Resectioned in part § 5.62 by P.A. 78–1297, § 51, eff. March 4, 1975.

141.63. Salmon fund.] § 5.63. The Salmon Fund.

Added by P.A. 79–187, § 3, eff. March 31, 1976.

Another § 5.63 was added by P.A. 79–281, § 1, see § 141.65, post.

141.64. Risk management revolving fund.] § 5.64. The Risk Management Revolving Fund.

Added by P.A. 79–352, § 3, eff. Aug. 7, 1975.

141.65. Matured bond and coupon fund.] § 5.-65. The Matured Bond and Coupon Fund.

Formerly § 5.63. Renumbered § 5.65 by P.A. 79–1454, § 5[65], eff. Aug. 31, 1976.

Added by P.A. 79–281, § 1.

P.A. 79–1454, the 1976 Revisory Act, declared in its title that it related to nonsubstantive revision, renumbering or repeal of sections necessitated by two or more Acts enacted by the 79th General Assembly and of those sections so affected by two or more Acts enacted by the 78th General Assembly which multiple amendment was not resolved by the 1974 Revisory.

141.66 State medical disciplinary fund.] § 5.-63. The Illinois State Medical Disciplinary Fund. Added by P.A. 79-1130, § 2, eff. Nov. 21, 1975.

141.67. Metropolitan exposition, auditorium and office building fund.] § 5.66. The Metropolitan Exposition, Auditorium and Office Building Fund.

Added by P.A. 79-1390, § 5, eff. Aug. 17, 1976.

141a, 141b. §§ 5a, 5b. Repealed by act approved July 8, 1947. L.1947, p. 1719.

141c. § 5c. **Risk Management Revolving Fund —Payments Into and Use.)** The Risk Management Revolving Fund shall be initially financed by a transfer of funds from the General Revenue Fund. Thereafter, all fees and other monies received by the Department of Finance in payment for risk management services rendered pursuant to Section 35.9 of the Civil Administrative Code of Illinois shall be paid into the Risk Management Revolving Fund. The money in this fund shall be used by the Department of Finance as reimbursement for expenditures incurred in rendering risk management services.

Added by P.A. 79-352, § 3, eff. Aug. 7, 1975.

142. Receipts of industrial operations at state institutions and divisions.] § 6. The gross or total proceeds, receipts and income of all industrial operations at the several State institutions and divisions under the direction and supervision of the Department of Corrections shall be covered into the State Treasury into a special fund to be known as "The Working Capital Revolving Fund". "Industrial operations", as herein used, means and includes the operation of those State institutions producing, by the use of materials, supplies and labor, goods, or wares or merchandise to be sold.
Amended by P.A. 77-2728, § 1, eff. Aug. 18, 1972.

142a. Receipts of state colleges and universities—Retention of certain items—Audit.] § 6a. (1) The following items of income received by the State Colleges and Universities under the jurisdiction of the Board of Governors of State Colleges and Universities for general operational and educational purposes shall be paid into the state treasury without delay not later than 10 days after the receipt of the same, without any deduction whatever and shall be covered into a special fund to be known as the Board of Governors of State Colleges and Universities Income Fund: tuition, laboratory and library fees, excess income from auxiliary enterprises and activities as provided in paragraph (2) of this Section, and all other income arising out of any activity or purpose not specified in paragraph (2) of this Section or in Section 6a-2.[1] The General Assembly shall from time to time make appropriations payable from the Board of Governors of State Colleges and Universities Income Fund for the support and improvement of such State Colleges and Universities.

(2) The following items of income shall be retained by each such State College or University in its own treasury: endowment funds, gifts, trust funds, and federal aid; funds received in connection with contracts with governmental, public or private agencies or persons, for research or services including funds which are paid as reimbursement to the State College or University; funds retained by the State College or University under the authority of Section 6a-2, and funds received from the operation of student or staff residence facilities, student and staff medical and health programs, Union buildings, bookstores, farms, stores, and other auxiliary enterprises or activities which are self-supporting in whole or in part. Any income derived from such auxiliary enterprises or activities which is not necessary to their support, maintenance, or development shall not, however, be applied to any general operational or educational purpose but shall be paid into the State Treasury as provided in paragraph (1) of this Section.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institutions.
Amended by P.A. 77-2807, § 23, eff. July 1, 1974.

[1] Chapter 127, § 142a2.

Added by L.1945, p. 1689.

142a1. Southern Illinois University income fund—Retention of certain items—Working cash fund—Audit.] § 6a-1. (1) The following items of income received by the Southern Illinois University for general operational and educational purposes shall be paid into the State Treasury without delay and not later than 10 days after the receipt of the same without any deduction whatever and shall be covered into a special fund to be known as "The Southern Illinois University Income Fund": tuition and laboratory fees not pledged to discharge obligations arising out of the issuance of revenue bonds, library fees, excess income from auxiliary enterprises and activities as provided in paragraph (2) of this Section, and all other income arising out of any activity or purpose not specified in paragraph (2) of this Section or in Sections 6a-2 or 6a-3. The General Assembly shall from time to time make appropriations payable from such fund for the support and improvement of Southern Illinois University.

(2) The following items of income shall be retained by the University in its own treasury: endowment funds, gifts, trust funds, and Federal aid; funds received in connection with contracts with governmental, public, or private agencies or persons, for research or services including funds which are paid as reimbursement to the University; funds retained by the University under the authority of Sections 6a-2 and 6a-3; and funds received from the operation of student or staff residence facilities, student and staff medical and health programs, Union buildings, bookstores, farms, stores, and other auxiliary enterprises or activities which are self-supporting in whole or in part. Any income derived from such auxiliary enterprises or activities which is not necessary to their support, maintenance, or development shall not, however, be applied to any general operational or educational purposes but shall be paid into the State Treasury as provided in paragraph (1) of this Section.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institution.
Amended by P.A. 77-2807, § 23, eff. July 1, 1974.

Added by L.1949, p. 1577.

142a2. § 6a-2. **Retention of certain funds by universities—Use of funds—Audit.)** Each University listed in Sections 6a or 6a-1 [1] may retain in its treasury any funds derived from rentals, service charges and laboratory and building service charges or other sources, assessed or obtained for or arising out of the operation of any building or buildings or structure or structures and pledged to discharge obligations created in order to com-

plete or operate such building or structure, or for the payment of revenue bonds issued under "An Act to authorize The Board of Trustees of Southern Illinois University to acquire, build, purchase, or otherwise construct, equip, complete, remodel, operate, control, and manage student residence halls, dormitories, dining halls, student union buildings, field houses, stadiums and other revenue-producing buildings, including sites therefor, for the Southern Illinois University, defining the duties of The Board of Trustees of Southern Illinois University with respect to operation and maintenance thereof, charging rates or fees for the use thereof, and providing for and authorizing the issuance of bonds for the purpose of defraying the cost of construction, acquisition or equipment of any such building or buildings payable from the revenues derived from the operation thereof, or, when authorized by The Board of Trustees, payable from such revenues as supplemented by University income authorized by law to be retained in the University treasury and applied to such purpose, and for the refunding of any such bonds, and authorizing investment in such bonds," approved June 30, 1949, as amended,[2] or issued under the "Board of Governors of State Colleges and Universities Revenue Bond Act", approved May 8, 1947, as amended,[3] as the case may be; and, to be disbursed from time to time pursuant to the order and direction of the Board of Trustees of Southern Illinois University or the Board of Governors of State Colleges and Universities, and in accordance with any contracts, pledges, trusts or agreements heretofore or hereafter made by Board of Trustees or Board of Governors of State Colleges and Universities.

The Board of Trustees of Southern Illinois University may also retain in its treasury, out of student fees and tuition, such sums annually as the Board determines are necessary to supplement revenue derived from any building or buildings constructed or acquired after July 1, 1957, or to supplement revenues derived from any building or buildings having bonds outstanding thereon which are refunded under the provisions of "An Act to authorize The Board of Trustees of Southern Illinois University to acquire, build, purchase, or otherwise construct, equip, complete, remodel, operate, control, and manage student residence halls, dormitories, dining halls, student union buildings, field houses, stadiums, and other revenue-producing buildings, including sites therefor, for the Southern Illinois University, defining the duties of The Board of Trustees of Southern Illinois University with respect to operation and maintenance thereof, charging rates or fees for the use thereof, and providing for and authorizing the issuance of bonds for the purpose of defraying the cost of construction, acquisition or equipment of any such building or buildings payable from the revenues derived from the operation thereof, or, when authorized by The Board of Trustees, payable from such revenues as supplemented by University income authorized by law to be retained in the University treasury and applied to such purpose, and for the refunding of any such bonds, and authorizing investment in such bonds," approved June 30, 1949, as amended, and pledge or by resolution make a supplementary allocation of the funds so retained out of students' fees and tuition for the retirement of such bonds as may be issued under such Act. Such funds as are so pledged shall annually be credited to the account to which the pledge applies. Such funds as are supplementarily allocated by Board resolution subsequent to the resolution creating the bonds shall be credited in accordance with the terms of the resolution making such supplementary allocation to the account to which the allocation applies. The Board may authorize such supplementation only after a determination by it that the maximum revenues which may reasonably and economically be derived from the operation of a building proposed to be constructed or acquired under the Act herein cited will be insufficient to meet the costs of operation and maintenance and to pay the principal of and interest on bonds issued for such building, or after a determination by it that the maximum revenues which may reasonably and economically be derived from the operation of a building already constructed or acquired under the Act are or will be insufficient to meet the costs of operation and maintenance and to pay the principal of and interest on bonds issued for such building. In no event shall the supplementation from University income be in excess of an amount which, when added to the revenues to be derived from the operation of the building or buildings, will be sufficient to meet the annual debt service requirements on the bonds issued in respect to such building or buildings, the annual cost of maintenance or operation of such building or buildings, and to provide for such reserves, accounts or covenants which the resolution authorizing the issuing of said bonds may require.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institutions.
Amended by P.A. 76–1337, § 1, eff. Sept. 16, 1969.

[1] Chapter 127, §§ 142a, 142a1.
[2] Chapter 122, § 432a et seq.
[3] Chapter 127, § 59a et seq.
Section added: L.1951, p. 956.

142a3. Southern Illinois University—Retention of certain funds and items of income—Audit.] § 6a–3. The Board of Trustees of Southern Illinois University may retain in its treasury (a) all moneys received from the sale of all bonds issued under the Southern Illinois University Revenue Bond Act,[1] (b) all fees, rentals and other charges from students, staff members and others using or being served by, or having the right to use or the right to be served by, or to operate any project acquired under the said Act, (c) all tuition, registration, matriculation, health, hospital, medical, laboratory, admission, student activities, student services, and all other fees collected from students matriculated, registered or otherwise enrolled at and attending the University pledged under the terms of any resolution authorizing bonds, or authorizing a supplemental allocation of fees for debt service of bonds theretofore issued, pursuant to the said Act, and (d) all rentals from any facility or building acquired under the said Act and leased to the United States of America.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institution.
Amended by P.A. 76–1337, § 1, eff. Sept. 16, 1969.

Added by L.1965, p. 2933.
[1] Chapter 122, § 432a et seq.

142a4. Universities and state colleges—Retention of items of income received for operational and educational purposes—Audit.] § 6a–4. (1) The following items of income received by the Universities under the jurisdiction of the Board of Regents of the Regency Universities System for general operational and educational purposes shall be paid into the state treasury without delay not later than 10 days after the receipt of the same, without any deduction whatever and shall be covered into a special fund to be known as the Board of Regents Income Fund: tuition, laboratory and library fees, excess income from auxiliary enterprises and activities as provided in paragraph (2) of this Section, and all other income arising out of any activity or purpose not specified in paragraphs (2) and (3). The General Assembly shall from time to time make appropriations payable from the Board of Regents Income Fund for the support and improvement of such State Colleges and Universities.

(2) The following items of income shall be retained by each such State University in its own treasury: endowment funds, gifts, trust funds, and Federal aid; funds received in connection with contracts with governmental, public or private agencies or persons, for research or services including funds which are paid as reimbursement to the State University; funds retained by the State University under the authority of paragraph (3) of this Section; and funds received from the operation of student or staff residence facilities, student and staff medical and health programs, Union buildings, bookstores, farms, stores, and other auxiliary enterprises or activities which are self-supporting in whole or in part. Any income derived from such auxiliary enterprises or activities which is not necessary to their support, maintenance, or development shall not, however, be applied to any general operational or educational purpose but shall be paid into the State Treasury as provided in paragraph (1) of this Section.

(3) Each such State University may retain in its Treasury any funds derived from rentals, service charges and laboratory and building service charges or other sources, assessed or obtained for or arising out of the operation of any building or buildings and pledged to discharge obligations created in order to complete or operate such building, or for the payment of revenue bonds issued for such university by the Teachers College Board, the Board of Governors of State Colleges and Universities, and the Board of Regents; and to be disbursed from time to time pursuant to the order and direction of the Board of Regents, and in accordance with any contracts, pledges, trusts or agreements heretofore made by the Teachers College Board or the Board of Governors of State Colleges and Universities, or hereafter made by the Board of Regents.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institutions.

Amended by P.A. 77–2807, § 23, eff. July 1, 1974.

Added by L.1967, p. 1029.

142b. United States veteran's bureau fund.] § 6b. The gross or total proceeds, receipts and income of all the several State institutions, clinics, rehabilitation centers and services, derived from the Veterans' Administration for the care and treatment of veterans of World War I or World War II or those who served during the national emergency between June 25, 1950 and January 31, 1955, who are patients or residents in the State institutions, clinics, rehabilitation centers and services, shall be covered into the State treasury into a special fund to be known as "The United States Veterans' Bureau Fund". As amended by act approved July 9, 1957. L.1957, p. 2321.

Section added: L.1945, p. 1689.

142b1. State Pensions Fund.] § 6b–1. There shall be paid into the State Pensions Fund the funds and proceeds from the sale of abandoned property as provided in Section 18 of the "Uniform Disposition of Unclaimed Property Act", enacted by the Seventy-second General Assembly.[1] Added by act approved Aug. 17, 1961. L.1961, p. 3123.

[1] Chapter 141, § 118.

142b2. State fair trust fund—Use—Working cash account—Audit.] § 6b–2. The total or gross proceeds, receipts or income from the Illinois State Fair or from the use of any facility or property at the State Fairgrounds under the jurisdiction of the State Fair Agency shall be paid into the State Fair Trust Fund except as otherwise provided in this Section. The State Fair Trust Fund of the State Fair Agency shall include deposits of funds received from rentals, service charges, building service charges or other services assessed or obtained for or arising out of the operation of any building or buildings; funds received in connection with contracts with governmental, public or private agencies or persons, for services and funds received from the operation of any activity or enterprise at the State Fair or facilities or property under the jurisdiction of the State Fair Agency at the State Fairgrounds.

Whenever the balance on hand in the State Fair Trust Fund is in excess of $250,000, such proceeds, receipts or income shall be covered into the Agricultural Premium Fund in the State Treasury.

The State Fair Trust Fund shall be used only for the purposes of paying for the operation of activities in connection with the State Fair or the facilities or property under the jurisdiction of the State Fair Agency at the State Fairgrounds such as to pay contracts entered into in connection with the State Fair, to provide change for fair activities and to pay Federal taxes on ticket sales in connection with the operation of the State Fair or to make payments under revenue-producing contracts for the use of property or facilities at the State Fairgrounds under the jurisdiction of the State Fair Agency.

The State Fair Agency is authorized to establish and maintain a "Working Cash Account" to receive moneys obtained from the sale of pari-mutuel wagering tickets and to disburse moneys from such account as provided in this Section. The Agency shall appoint a custodian who will be responsible for the "Working Cash Account" and who shall be bonded by a $100,000 penal bond made payable to the people of the State of Illinois, and shall establish accounting and reconciliation procedures to assure the safeguarding of these moneys.

Moneys in the State Fair Agency's "Working Cash Account" shall be used only for the purposes of providing change for ticket windows, paying winning tickets, establishing the winning ticket reserve and purse fund as required by the "Illinois Racing Board", pay race purses, and to pay Federal and State taxes. That portion of the income received not expended for uses as authorized shall

within 10 days after receipt be paid into the State Fair Trust Fund.

The Governor may request at the recommendation of the custodian of the "Working Cash Account" an amount of money not to exceed $50,000 be transferred from the State Fair Trust Fund to the "Working Cash Account", to provide change for ticket windows, such transfer to be made within 30 days prior to a racing meet. The custodian shall within 2 working days after the close of a racing meet transfer the money used for change back to the State Fair Trust Fund. The Agency is authorized to pay from the State Fair Trust Fund the annual license fee, the daily race fee, and other expenses such as track security, stewards, investigators and such other fees as required by the Illinois Racing Board connected with the holding of a racing meet.

The Auditor General shall audit or cause to be audited the above items of income and expenditures.

Amended by P.A. 79–60, § 1, eff. July 1, 1975.

142b3. State housing fund.] § 6b–3. There shall be paid into the State Housing Fund the moneys recovered from Land Clearance Commissions and Housing Authorities under the provisions of (1) Section 32 of the "Housing Authorities Act", approved March 19, 1934, as amended; [1] (2) Section 9a of "An Act to facilitate the development and construction of housing, to provide governmental assistance therefor, and to repeal an Act herein named," approved July 2, 1947, as amended; [2] and (3) Section 25a of the "Blighted Areas Redevelopment Act of 1947", approved July 2, 1947, as amended.[3]

The moneys in the State Housing Fund shall be used for grants in aid of housing, development, redevelopment projects, and any other programs compatible with the duties and obligations of the Department of Local Government Affairs and local housing authorities or land clearance commissions and such funds may be allocated to those authorities and/or programs in accordance with the judgment of the Department of Local Government Affairs except that no moneys may be retained in the fund beyond a period 36 months following their deposit. In any instance where moneys are accumulated in the State Housing Fund and not distributed in accordance with determination made by the Department of Local Government Affairs within 36 months then such moneys shall be returned to the General Revenue Fund.

Amended by P.A. 79–140, § 10, eff. Oct. 1, 1975.

Section added: L.1963, p. 1627.

[1] Chapter 67½, § 27e.
[2] Chapter 67½, § 61a.
[3] Chapter 67½, § 81a.

Rights, powers and duties of the State Housing Board conferred on the Department of Local Governmental Affairs, see ch. 127, § 63b14.3.

142c. Road fund.] § 6c. All fees and other money received by the Division of Highways of the Department of Public Works and Buildings shall, upon being paid into the State treasury, be placed in the road fund. As amended by act approved July 31, 1967. L.1967, p. 2564. Effective Jan. 1, 1968.

Section added: L.1945, p. 1689.

142c.1 State garage revolving fund.] § 6c.1. All fees and other money received by the Department of General Services incident to the operation of State garages shall be paid into the State Garage Revolving Fund. Added by act approved July 31, 1967. L.1967, p. 2564. Effective Jan. 1, 1968.

142d. § 6d. University income fund—Retention of certain items by University—Audit.) (1) The following items of income, except as otherwise provided in Sections 6f and 6g,[1] received by the University of Illinois for general operational and educational purposes shall be paid into the State Treasury without delay not later in any event than ten days after the receipt of same, without any reduction whatever and shall be covered into a special fund to be known as the "University Income Fund": tuition, laboratory and library fees, excess income from auxiliary enterprises and activities as provided in paragraph (2) of this Section, and all other income arising out of any activity or purpose not specified in paragraph (2). The General Assembly from time to time shall make appropriations payable from the University Income Fund for the support, operation and improvement of the University of Illinois.

(2) The following items of income shall be retained by the University in its own treasury: endowment funds, gifts, trust funds, and Federal aid; funds received in connection with contracts with governmental, public, or private agencies or persons, for research or services including funds which are paid as reimbursement to the University; funds retained by the University under the authority of Sections 6f and 6g; and funds received from the operation of student or staff residence facilities, student and staff medical and health programs, Union buildings, bookstores, farms, stores, service activities, and other auxiliary enterprises or activities which are self-supporting in whole or in part; provided, that any income derived from such auxiliary enterprises or activities which is not necessary to their support, maintenance, or development shall not be applied to any general operational or educational purpose but shall be paid into the State Treasury as provided in paragraph (1) of this Section.

The Auditor General shall audit or cause to be audited the above items of income and all other income and expenditures of such institution.

Amended by P.A. 77–2807, § 23, eff. July 1, 1974.

[1] Chapter 127, §§ 142f, 142g.

Added by L.1945, p. 1689.

142e, 142f. §§ 6e, 6f. (L.1945, p. 1689). Repealed by P.A. 77–2807, § 24, eff. July 1, 1974.

142g. Retention by university of receipts pledged to discharge obligations—Portion of fees and tuition necessary to supplement certain revenues.] § 6g. The University of Illinois may retain in its treasury, any funds derived from rentals, fees, service charges and laboratory and building service charges, or other sources, assessed or obtained for or arising out of the operation of any building, buildings, facility or facilities used or hereafter acquired and which shall be used to discharge obligations created for the construction, equipment, enlargement, improvement, completion, operation, control or management of any such building, buildings, facility or facilities or for the payment of revenue bonds issued under any laws now in force, or laws hereinafter enacted. Such funds shall be disbursed from time to time pursuant to the order and direction of the Board of Trustees of the University, and in accordance with any contracts, pledges, trusts or agreements heretofore or hereafter made by said Board of Trustees.

The University of Illinois may also retain in its treasury, out of student fees and tuition, such sums annually as the Board of Trustees determines will be necessary from time to time to supplement revenues derived from any revenue producing building, buildings, facility or facilities now used or hereafter acquired under the provisions of any laws now in force, or any laws hereinafter enacted, and pledge the sums so retained out of student fees and tuition for the retirement of any bonds issued to finance such buildings or facilities. Such funds so pledged shall be credited annually to any account to which such revenues are or may hereafter be pledged. The Board may authorize such supplementation at the time of issuance of any of its revenue bonds or at any time thereafter upon determination by it that the revenues derived from time to time from the operation of such building, buildings, facility or facilities will be insufficient to meet the costs of operation and maintenance and to pay the principal of and interest on bonds issued and payable separately or collectively from the income and revenue of such building, buildings, facility, facilities, or combination thereof. Such supplementation from University income shall not be in excess of an amount which, when added to the revenues to be derived from the operation of such building, buildings, facility or facilities will be sufficient to meet the annual debt service requirements on its revenue bonds issued in respect to any such building, buildings, facility or facilities, the annual costs of maintenance and operation of such building, buildings, facility or facilities, and to provide for any reserves, accounts or covenants which the resolution authorizing the issue of said bonds may require, plus such sums as the Board of Trustees shall have pledged to such bonds or shall determine shall be retained from year to year to assure adequate supplementation. As amended by act approved July 6, 1957. L.1957, p. 1694.

Section added: L.1945, p. 1689.

142h. Federal fiscal assistance trust fund.] § 6h. All payments received under Subtitle A of Title I of the federal "State and Local Fiscal Assistance Act of 1972" (Pl. 92–512; 86 Stat. 919) [1] and any interest earned on or accruing to such payments shall be deposited in the Federal Fiscal Assistance Trust fund.
Added by P.A. 78–556, § 1, eff. Oct. 1, 1973.

[1] 26 U.S.C.A. §§ 6017A, 6687; 31 U.S.C.A. §§ 1221 to 1228, 1241 to 1243, 1261 to 1263.

A former section 142h was repealed by Laws 1949, p. 1579, § 2.

142i. § 6i. Repealed by P.A. 77–1208, § 24, eff. Aug. 20, 1971.

142j. § 6j. Repealed by act approved July 7, 1955. L.1955, p. 1201.

142k. § 6k. Repealed by act approved March 31, 1965. L.1965, p. 246. Effective Oct. 1, 1965.

142m. Air transportation revolving fund—Payments into and use.] § 6m. All fees and other moneys received by the Department of Aeronautics from any officer, department or agency of the State for providing air transportation to or for such officer, department or agency shall be paid into the Air Transportation Revolving Fund. The moneys in this fund shall be used by the Department of Aeronautics only for equipment, personnel, operational expenses and such other expenses as may be incidental to providing air transportation for officers, departments or agencies of the State Government. Added by act approved July 11, 1963. L. 1963, p. 1455.

142n. Manpower development and training revolving fund—Payments into and use.] § 6n. All fees and other moneys received by the Department of Labor from any officer, department or agency of the Federal Government, for use in providing on-the-job training for employees of the State of Illinois pursuant to the "Manpower Development and Training Act of 1962", as heretofore or hereafter amended,[1] shall be paid into the Manpower Development and Training Revolving Fund. The moneys in this fund shall be used by the Department of Labor only for equipment, personnel, operational expenses, contractual services and such other expenses as may be incidental to providing on-the-job training for employees of the State of Illinois pursuant to said "Manpower Development and Training Act of 1962." As amended by act approved Aug. 2, 1965. L.1965, p. 2411.

[1] 42 U.S.C.A. § 2571 et seq.
Section added: L.1963, p. 2073.

142o. § 6o. (L.1967, p. 265). Repealed by P.A. 79–475, § 1, eff. Oct. 1, 1975.

142p. Payments into office supplies revolving fund.] § 6p. All moneys received by the Department of General Services as an incident to the operation of office supply stockrooms shall be paid into the office supplies revolving fund.
Amended by P.A. 76–1398, § 1, eff. Sept. 22, 1969.

Added by L.1965, p. 878.

142p1. Statistical services revolving fund—Payments into and use.] § 6p–1. The Statistical Services Revolving Fund shall be initially financed by a transfer of funds from the General Revenue Fund. Thereafter, all fees and other monies received by the Department of Finance in payment for statistical services rendered pursuant to Section 35.7 of the Civil Administrative Code of Illinois,[1] shall be paid into the Statistical Services Revolving Fund. The money in this fund shall be used by the Department of Finance as reimbursement for expenditures incurred in rendering statistical services.
Amended by P.A. 77–1497, § 1, eff. Sept. 8, 1971.

[1] Chapter 127, § 35.7.
Section added: L.1965, p. 2412.

142p2. Communications revolving fund—Payments into and use.] § 6p–2. The Communications Revolving Fund shall be initially financed by a transfer of funds from the General Revenue Fund. Thereafter, all fees and other monies received by the Department of General Services in payment for telecommunications services rendered pursuant to Section 67.17 of the Civil Administrative Code of Illinois[1] shall be paid into the Communications Revolving Fund. The money in this fund shall be used by the Department of General Services as reimbursement for expenditures incurred in relation to telecommunications services.
Added by P.A. 76–1030, § 1, eff. July 1, 1970.

[1] Chapter 127, § 67.17.

142q. Payments into paper and printing revolving fund.] § 6q. All moneys received by the Department of General Services as an incident to the operation of paper and printing warehouses

shall be paid into the paper and printing revolving fund.
Amended by P.A. 76-123, § 1, eff. July 1, 1969.
Added by L.1965, p. 2410.

142r. Money received from rental of highway property.] § 6r. All money received from the rental of buildings or improvements by the Department of Transportation under Section 4-201.16 of the Illinois Highway Code [1] shall be remitted to the State Treasurer. The Treasurer shall hold such money in trust as ex-officio custodian and pay over the money pursuant to this Section. If the county collector of taxes in the county in which such rented buildings or improvements are located provides the Secretary of Transportation with a statement of how much the property would have been assessed were it not exempt, the Secretary shall issue a voucher to such county collector from such trust fund in an amount equivalent to what the taxes would have been if the property had remained on the tax rolls. The county collector of taxes receiving such funds shall distribute them in the same manner as other tax funds are distributed. Any amount of money remaining after the appropriate portion of such rental funds have been paid shall be paid by the State Treasurer into the road fund in the State Treasury.
Amended by P.A. 77-2276, § 1, eff. Aug. 8, 1972.

[1] Chapter 121, § 4—201.16.
Added by L.1967, p. 2665.

P.A. 77-2276, approved Aug. 8, 1972, provided in section 2: "This amendatory Act becomes effective July 1, 1972."

142s. Highway safety fund—Deposits and disbursements.] § 6s. All money received by the State under the Federal Highway Safety Act of 1966[1] shall be deposited in the Highway Safety Fund.

Appropriations shall be made from the Highway Safety Fund for approved highway safety programs under the Federal Highway Safety Act of 1966 and shall be disbursed only by the authority of the Governor.
Formerly § 142r. Renumbered § 142s by act approved Sept. 6, 1968. L.1968, p. 459.

[1] 23 U.S.C.A., § 401 et seq.
Added by L.1967, p. 3273.

142t. Capital development board contributory trust fund—Deposits and disbursements.] § 6t. The Capital Development Board Contributory Trust Fund is created and there shall be paid into the Capital Development Board Contributory Trust Fund the monies contributed by and received from Public Community College Districts, Elementary, Secondary, and Unit School Districts, and Vocational Education Facilities, provided, however, no monies shall be required from a participating Public Community College District, Elementary, Secondary, or Unit School District, or Vocational Education Facility more than 30 days prior to anticipated need under the particular contract for the Public Community College District, Elementary, Secondary, or Unit School District, or Vocational Education Facility. No monies in any fund in the State Treasury, nor any funds under the control or beneficial control of any state agency, university, college, department, commission, board or any other unit of state government shall be deposited, paid into, or by any other means caused to be placed into the Capital Development Board Contributory Trust Fund, except for insurance proceeds as provided for below.

There shall also be paid into this fund all builders risk insurance policy proceeds received by way of reimbursement for losses resulting from destruction of or damage to capital improvement projects while under construction by the Capital Development Board.

The monies in the Capital Development Board Contributory Trust Fund shall be expended only for actual contracts let, and then only for the specific project for which the contribution was made in accordance with the judgment of the Capital Development Board, compatible with the duties and obligations of the Capital Development Board in furtherance of the specific capital improvement for which the contribution or insured loss reimbursement proceeds were received.

Contributions or insured-loss reimbursements not expended in furtherance of the project for which they were received within 36 months of the date received, shall be returned to the contributing party. Proceeds from builders risk insurance shall be expended only for the amelioration of damage arising from the incident for which the proceeds were paid to the State or the Capital Development Contributory Trust Fund. Any residual amounts remaining after the completion of such repairs, renovation, reconstruction of [1] other work necessary to restore the capital improvement project to acceptable condition shall be returned to the proper fund or entity financing or contributing towards the cost of the capital improvement project. Such returns shall be made in amounts proportionate to the contributions made in furtherance of the project.

Added by P.A. 79-3, § 1, eff. March 26, 1975.

[1] Probably should read "or".

142u. Matured bond and coupon fund—Deposit—Transfers to General Revenue Fund.] § 6u. All money returned to the State Treasurer by the paying agent for any State bonds or interest coupons by reason of the failure of the holder to present such bonds or coupons for payment within 2 years after maturity shall be deposited in the Matured Bond and Coupon Fund. Upon the subsequent presentation for payment of any such bond or coupon for payment, payment shall be made from the Matured Bond and Coupon Fund.

Whenever the State Treasurer and the State Comptroller determine that any such matured bonds or coupons will, in all likelihood, never be presented for payment, they shall transfer the amount represented by such bonds or coupons from the Matured Bond and Coupon Fund to the General Revenue Fund.

Formerly § 6t. Renumbered § 6u by P.A. 79-1454, § 5[65], eff. Aug. 31, 1976.

Added by P.A. 79-281, § 1.
P.A. 79-1454, the 1976 Revisory Act, declared in its title that it related to nonsubstantive revision, renumbering or repeal of sections necessitated by two or more Acts enacted by the 79th General Assembly and of those sections so affected by two or more Acts enacted by the 78th General Assembly which multiple amendment was not resolved by the 1974 Revisory.

143. Appropriations payable from general revenue fund.] § 7. All appropriations, unless otherwise provided by law, shall be paid from the general revenue fund. [As amended by act approved March 22, 1933. L. 1933, p. 1091.]

144. Appropriations payable from fire prevention fund.] § 8. Appropriations for all expenses incident to the fire marshal division of the Department of Law Enforcement are payable from the fire prevention fund.
Amended by P.A. 77-1100, § 1, eff. Aug. 17, 1971.
The 1953 amendments contained identical provisions.

144.1 Appropriations from Federal Fiscal Assistance Fund—Objects and purposes.] § 8.1 Appropriations from the Federal Fiscal Assistance Trust fund shall be for objects and purposes in

accord with the federal "State and Local Fiscal Assistance Act of 1972" (Pl. 92–512; 86 Stat. 919).[1]
Added by P.A. 78–556, § 1, eff. Oct. 1, 1973.

[1] 26 U.S.C.A. §§ 6017A, 6687; 31 U.S.C.A. §§ 1221 to 1228, 1241 to 1243, 1261 to 1263.

A former section 144.1 was repealed by Laws 1967, p. 3276, § 2, eff. Aug. 18, 1967.

144.2 Appropriations payable from common school fund]. § 8.2 Appropriations for the distribution of the common school fund to the several counties and for the payment of salaries and expenses of county superintendents of schools and the amount to be paid into the Illinois State teachers' pension and retirement fund and for the refund of excess taxes paid into the common school fund are payable from the common school fund. Added by acts approved June 29, 1953. L.1953, p. 563; July 6, 1953. L.1953, p. 925; July 10, 1953. L. 1953, p. 1046; July 10, 1953. L.1953, p. 1048.

The 1953 amendments contained identical provisions.

144.3 Appropriations made from road fund.] § 8.3. Money in the road fund shall, if and when the State of Illinois incurs any bonded indebtedness for the construction of permanent highways, be set aside and used for the purpose of paying and discharging annually the principal and interest on such bonded indebtedness then due and payable, and for no other purpose. The surplus, if any, in the road fund after the payment of principal and interest on such bonded indebtedness then annually due shall be used as follows:

first—to pay the cost of administration of Chapters 2 through 10 of "The Illinois Vehicle Code", approved September 29, 1969, as now or hereafter amended,[1] except the cost of administration of Articles I and II of Chapter 3 of such Code; [2] and

secondly—for expenses of the Department of Public Works and Buildings for construction, reconstruction, improvement, repair, maintenance, operation and administration of highways in accordance with the provisions of laws relating thereto, or for any purpose related or incident to and connected therewith, including the separation of grades of such highways with railroads and with highways and including the payment of awards made by the Industrial Commission under the terms of the Workmen's Compensation Act or Workmen's Occupational Diseases Act for injury or death of an employee of the Division of Highways in the Department of Public Works and Buildings; or for the acquisition of land and the erection of buildings for highway purposes, including the acquisition of highway right-of-way or for investigations to determine the reasonably anticipated future highway needs; or for making of surveys, plans, specifications and estimates for and in the construction and maintenance of flight strips and of highways necessary to provide access to military and naval reservations, to defense industries and defense-industry sites, and to the sources of raw materials and for replacing existing highways and highway connections shut off from general public use at military and naval reservations and defense-industry sites, or for the purchase of right-of-way, except that the State shall be reimbursed in full for any expense incurred in building the flight strips; or for the operating and maintaining of highway garages; or for patrolling and policing the public highways and conserving the peace; or for any of such purposes or any other purpose that may be provided by law.

Appropriations for any of such purposes are payable from the road fund. Appropriations may also be made from the road fund for the administrative expenses of any State agency which are related to motor vehicles or arise from the use thereof.
Amended by P.A. 76–2289, § 1, eff. July 1, 1970.

[1] Chapter 95½, §§ 2–101 to 10–301.
[2] Chapter 95½, §§ 3–101 to 3–210.
Section added: L.1953, pp. 563, 925, 1046, 1048.

144.4. § 8.4. Repealed by P.A. 79–1401, § 2, eff. Oct. 1, 1976.

144.4a. Expenditures payable from 2 or more funds.] § 8.4a. Whenever an appropriation act provides that expenditures made pursuant to such appropriation are payable from 2 or more funds in specified proportions, the State Comptroller and State Treasurer shall record all such expenditures as having been made from the fund from which the greater proportion of the appropriations are payable or from the fund designated by the Comptroller if the appropriations are payable from 2 or more funds in equal proportions. Within the first 15 days of each calendar quarter, the Comptroller shall order the Treasurer to transfer to the fund from which expenditures were made, from the other fund or funds from which the particular appropriation is payable, the proportionate amount of the aggregate expenditures of such appropriation within the preceding calendar quarter, which is payable from such other fund or funds under the appropriation Act.
Added by P.A. 79–1401, § 1, eff. Oct. 1, 1976.

144.5 § 8.5. Repealed by P.A. 77–2728, § 2, eff. Aug. 18, 1972.

Added by L.1953, pp. 563, 925, 1046, 1048.

144.6 Appropriations payable from state garage revolving fund.] § 8.6. Appropriations for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State of Illinois, the purchase of necessary supplies, equipment and accessories for automotive use, the purchase of public liability insurance covering drivers of motor vehicles owned or controlled by the State of Illinois, and all other expenses incident to the operation and maintenance of the State garages are payable from the State Garage Revolving Fund. All contracts let under the provisions of this Act shall be by bid in accordance with the procedure set forth in the Illinois Purchasing Act.[1]
Amended by P.A. 76–2021, § 1, eff. July 1, 1970.

[1] Chapter 127, § 132.1 et seq.
Section added: L.1953, pp. 563, 925, 1046, 1048.

144.7 Appropriations payable from paper and printing revolving fund.] § 8.7 Appropriations for the purchase of warehouse stocks of paper and printing by the Department of General Services, and for all expenses incident to the handling, transportation and storage of such warehouse stocks including personal services and contractual services connected therewith are payable from the paper and printing revolving fund.
Amended by P.A. 76–123, § 1, eff. July 1, 1969.

Section added: L.1953, pp. 563, 925, 1046, 1048.

144.8 Appropriations payable from mental health fund.] § 8.8 Appropriations for the improvement, development, addition or expansion of services for the care, treatment, and training of

persons who are mentally retarded or in need of mental treatment, or for the financing of any program designed to provide such improvement, development, addition or expansion of services or for expenses incurred in administering the provisions of Sections 12—21 to 12—27, inclusive, of the Mental Health Code are payable from the Mental Health Fund.
Amended by P.A. 78–370, § 1, eff. Oct. 1, 1973.

Added by L.1953, pp. 563, 925, 1046, 1048.

144.9. § 8.9. Repealed by act approved July 7, 1955. L.1955, p. 1201.

144.10 Appropriations payable from Illinois fund for Illinois colts.] § 8.10. Appropriations for the purses for certain Illinois State Fair races and certain Illinois county fair races established by Section 20a of the "Illinois Harness Racing Act", approved July 17, 1945, as amended,[1] and the salaries of the investigators established by Section 20b of such Act [2] are payable from the Illinois Fund for Illinois Colts. As amended by act approved May 11, 1967. L.1967, p. 549.

[1] Chapter 8, § 37s.19a.
[2] Chapter 8, § 37s.19b.

144.11 State Park Fund.] § 8.11. Except as otnerwise provided in this Section, appropriations from The State Parks Fund shall be made only to the Department of Conservation, and shall be used only for the maintenance, development, operation, control and acquisition of State parks.

Revenues derived from the Illinois and Michigan Canal from the sale of Canal lands, lease of Canal lands, Canal concessions, and other Canal activities, which have been placed in the State Parks Fund may be appropriated to the Department of Conservation for that Department to use, either independently or in cooperation with any Department or Agency of the Federal or State Government or any political subdivision thereof for the development and management of the Canal and its adjacent lands as outlined in the master plan for such development and management.
Amended by P.A. 77–2123, Art. 2, § 1, eff. Oct. 1, 1972.

Added by L.1953, p. 1048.

144.12 Use of State Pensions Fund.] § 8.12. The moneys in the State Pensions Fund shall be used exclusively for the administration of the "Uniform Disposition of Unclaimed Property Act", approved August 17, 1961, as now or hereafter amended,[1] and for the reduction of the accrued actuarial reserve deficiency in each of the annuity and benefit funds established under the following laws: (1) State Employees Retirement System of Illinois; (2) Teachers' Retirement System of the State of Illinois; (3) State Universities Retirement System; (4) Judges Retirement System of Illinois; and (5) General Assembly Retirement System.

Each year the General Assembly shall appropriate the moneys in the State Pensions Fund as of May 1 of that year to the officers or boards authorized to receive appropriations under the laws creating the designated retirement systems. The amount of the appropriations shall be determined by the Bureau of the Budget and shall be in the proportion that the actuarial reserve deficiency of each fund bears to the total of the actuarial reserve deficiency of all of the funds. In determining the individual and total reserve deficiencies, the Bureau of the Budget shall utilize the latest available audit reports of each of the retirement systems, and the relevant reports and statistics of the Illinois Public Employees' Pension Laws Commission and the public employee Pension Fund Division of the Department of Insurance.

The appropriations made under this Section shall be in addition to, and shall not be applied toward the diminution of, the moneys otherwise appropriated for such retirement systems as required by the laws creating the systems, it being the intention that the moneys so appropriated from the State Pensions Fund shall be applied exclusively for the reduction of the accrued actuarial reserve deficiencies occasioned by the inadequacies of the appropriations heretofore made to such funds.
Amended by P.A. 77–484, § 1, eff. July 27, 1971.

[1] Chapter 141, § 101 et seq.
Section added: L.1961, p. 3423.

144.13 § 8.13. Repealed by act approved March 31, 1965. L.1965, p. 246. Effective Oct. 1, 1965.

144.14 Public Utility Fund.] § 8.14 Appropriations from the Public Utility Fund shall be made only to the Illinois Commerce Commission for ordinary and contingent expenses of such Commission in the administration of "An Act concerning public utilities", approved June 29, 1921, as heretofore or hereafter amended,[1] in the administration of the "Electric Supplier Act", as heretofore or hereafter amended,[2] and in the administration of the "Illinois Gas Pipeline Safety Act", as heretofore or hereafter amended,[3] and to the Illinois Institute for Environmental Quality, for the purpose of conducting studies concerning environmental pollution problems caused or contributed to by public utilities and the means for eliminating or abating those problems, in accordance with the functions of said Institute as specified in the "Environmental Protection Act", enacted by the 76th General Assembly.[4] No money shall be transferred from the Public Utility Fund to any other fund.
Amended by P.A. 78–579, § 1, eff. Oct. 1, 1973.

[1] Chapter 111⅔, § 1 et seq.
[2] Chapter 111⅔, § 401 et seq.
[3] Chapter 111⅔, § 551 et seq.
[4] Chapter 111½, § 1001 et seq.

Added by L.1963, p. 1073.

144.14—1 Appropriations payable from air transportation revolving fund.] § 8.14–1. Appropriations for equipment, personnel, operational expenses and such other expenses incident to providing air transportation for officers, departments or agencies of the State government may be payable from the Air Transportation Revolving Fund.
Formerly § 144.14. Renumbered 144.14—1 by act approved Sept. 6, 1968. L.1968, p. 474.

Added by L.1963, p. 1455.

144.15 Appropriations payable from manpower development and training revolving fund.] § 8.15. Appropriations for equipment, personnel, operational expenses, contractual services and such other expenses incident to providing on-the-job training for employees of the State of Illinois pursuant to the "Manpower Development and Training Act of 1962" [1] may be payable from the Manpower Development and Training Revolving Fund. As amended by act approved Aug. 2, 1965. L.1965, p. 2411.

[1] 42 U.S.C.A. § 2571 et seq.
Section added: L.1963, p. 2073.

144.16 Appropriations payable from office supplies revolving fund.] § 8.15. Appropriations for the purchase of stockroom stocks of office supplies by the Department of General Services and for all expenses incident to the handling, transportation and storage of such stocks, including personal services and contractual services connected therewith, are payable from the office supplies revolving fund.
Amended by P.A. 76–1398, § 1, eff. Sept. 22, 1969.
Added by L.1965, p. 878.

144.16a Appropriations from statistical services revolving fund.] § 8.16a. Appropriations for the procurement, installation, retention, maintenance and operation of electronic data processing and information devices used by state agencies subject to Section 35.7 of the Civil Administrative Code of Illinois,[1] the purchase of necessary supplies and equipment and accessories thereto, and all other expenses incident to the operation and maintenance of those electronic data processing and information devices are payable from the Statistical Services Revolving Fund. However, no contract shall be entered into or obligation incurred for any expenditure from the Statistical Services Revolving Fund until after the purpose and amount has been approved in writing by the Director of Finance. Until there are sufficient funds in the Statistical Services Revolving Fund to carry out the purposes of this amendatory Act of 1965, however, the state agencies subject to Section 35.7 of the Civil Administrative Code of Illinois, shall, on written approval of the Director of Finance, pay the cost of operating and maintaining electronic data processing systems from current appropriations as classified and standardized in "An Act in relation to State finance", approved June 10, 1919, as amended.[2] Formerly § 144.16. Renumbered and amended by act approved Sept. 7, 1967. L. 1967, p. 4096.

[1] Chapter 127, § 35.7.
[2] Chapter 127, § 137 et seq.
Section added: L.1965, p. 2412.

144.16b Appropriations payable from communications revolving fund.] § 8.16b. Appropriations for expenses related to telecommunications services for state agencies subject to Section 67.17 of the Civil Administrative Code of Illinois [1] are payable from the Communications Revolving Fund. However, no contract shall be entered into or obligation incurred for any expenditure from the Communications Revolving Fund until after the purpose and amount has been approved in writing by the Director of General Services.
Added by P.A. 76–1030, § 1, eff. July 1, 1970.

[1] Chapter 127, § 67.17.

144.17 § 8.17. (L.1967, p. 265). Repealed by P.A. 79–475, § 1, eff. Oct. 1, 1975.

144.18 § 8.18. Repealed by P.A. 77–2812, § 3, eff. Oct. 1, 1972.
Added by P.A. 76–799, § 1.

144.19. § 8.19. **Appropriations payable from Risk Management Revolving Fund.)** Appropriations for expenses related to risk management services rendered to State agencies subject to Section 35.9 of the Civil Administrative Code of Illinois are payable from the Risk Management Revolving Fund.
Added by P.A. 79–352, § 3, eff. Aug. 7, 1975.

144a. Transfer from General Revenue Fund to Common School Fund.] § 8½. On or before the fifteenth day of each of the months of August through May, at a time or times designated by the Governor, the State Treasurer and the State Comptroller shall transfer from the General Revenue Fund to the Common School Fund one twelfth or so much thereof as may be necessary of the amount appropriated to the Superintendent of Public Instruction for distribution from such Common School Fund, for that fiscal year, including interest on the School Fund for such year. On or before the fifteenth day of June, the State Treasurer and the State Comptroller shall transfer from the General Revenue Fund to the Common School Fund one sixth or so much thereof as may be necessary of the amount appropriated to the Superintendent of Public Instruction for distribution from such Common School Fund, for that fiscal year, including interest on the School Fund for such year.

The Governor may notify the State Treasurer and the State Comptroller to transfer, at a time designated by the Governor, such additional amount as may be necessary to effect advance distribution to school districts of amounts that otherwise would be payable in the next month pursuant to Sections 18–8 through 18–10 of the School Code.[1] The State Treasurer and the State Comptroller shall thereupon transfer such additional amount. The aggregate amount transferred from the General Revenue Fund to the Common School Fund in the eleven months beginning August 1 of any fiscal year shall not be in excess of the amount necessary for payment of claims certified by the Superintendent of Public Instruction pursuant to the appropriation of the Common School Fund for that fiscal year. Notwithstanding the provisions of the first paragraph in this section, no transfer to effect an advance distribution shall be made in any month except on notification, as provided above, by the Governor.

The State Comptroller and State Treasurer shall transfer from the Federal Fiscal Assistance Trust Fund to the Common School Fund such amounts as the Director of the Bureau of the Budget, with the approval of the Governor, directs so long as no transfer causes the balance remaining in the Federal Fiscal Assistance Fund and the estimated receipts to that Fund to be insufficient to support unexpended appropriations from that Fund.

The State Comptroller shall report all transfers provided for in this Act to the President of the Senate, minority leader of the Senate, Speaker of the House, and minority leader of the House.
Amended by P.A. 78–15, Third Sp.Sess., § 1, eff. Dec. 12, 1973; P.A. 78–1131, § 1, eff. Aug. 26, 1974; P.A. 78–1297, § 58, eff. March 4, 1975.

[1] Chapter 122, §§ 18—8 to 18—10.
Added by L.1933, p. 1090.

The 1974 Revisory Act, P.A. 78–1297, § 58, provided: "Each of the several sections of Acts enumerated in this Section were amended by more than one Act of the 78th General Assembly but the Public Act specified with reference to each such Section incorporates in one form the text of that Section as amended by these several amendatory Acts."

144a.1 (P.A. 78–186, § 2). Repealed by P.A. 78–15, Third Sp.Sess., § 2, eff. Dec. 12, 1973.

144b. § 8a. Repealed by act approved July 13, 1953. L.1953, p. 1456.

145. Issuance of warrants—Restrictions on disbursements.] § 9. No disbursements from appropriations shall be made for rental of office or other

space, buildings or land, except in pursuance of a written lease entered into by the proper State authority and the owner or authorized agent of the property. Such lease shall in no event extend beyond June 30th of the second year following the adjournment of the General Assembly making such appropriation except that the lease may contain a renewal clause subject to acceptance by the State after that date. This limitation does not apply to leases for office or other space, buildings, or land, where such leases contain a provision limiting the liability for the payment of the rental thereunder solely to funds received from the Federal Government. A copy of such lease or leases shall be filed in the office of the Secretary of State and with the State Comptroller within 5 days after execution.

Amounts paid from appropriations for personal service of any officer or employee of the State, either temporary or regular, shall be considered as full payment for all services rendered between the dates specified in the payroll or other voucher and no additional sum shall be paid to such officer or employee from any lump sum appropriation, appropriation for extra help or other purpose or any accumulated balances in specific appropriations, which payments would constitute in fact an additional payment for work already performed and for which remuneration had already been made, except that wage payments made pursuant to the application of the prevailing rate principle or based upon the effective date of a collective bargaining agreement between the State, or a State agency and an employee group shall not be construed as an additional payment for work already performed.

Disbursements from appropriations which are subject to the approval or certification of the Department of Finance are subject to the following restrictions.

Payments for personal service except for positions specified in all appropriation Acts shall be made in conformity with schedules and amendments thereto submitted by the respective officers and approved by the Department of Finance before becoming effective. Such schedules and amendments thereto may set up groups of employment showing the approximate number to be employed, with fixed or minimum and maximum salary rates.

This Section is subject to the provisions of Section 9.02.1.[1]

Amended by P.A. 78-1297, § 51, eff. March 4, 1975.

[1] Chapter 127, § 145c.

P.A. 78-1297, the 1974 Revisory Act, declared in its title that it related to "certain nonsubstantive revisions of the law to resolve differences among the several forms of certain Sections amended by more than one Act of the 78th General Assembly".

145a. § 9a. Repealed by P.A. 77-2807, § 25, eff. Jan. 8, 1973.

Added by L.1951, p. 519.

145a.1 Transfer of functions of office, department, agency, etc.—Appropriation of any unobligated part thereof deemed made to successor. § 9b. Whenever an appropriation is made to or for the use of any State officer, office, department, division, institution, commission, board or other agency and his or its functions are transferred to a successor, the appropriation or any unobligated part thereof shall be deemed to have been made to such successor to the same extent as if such successor were specifically named in the appropriation law. A change in the name or title of any of the above shall be deemed a transfer of functions to a successor. As amended by act approved June 30, 1953. L.1953, p. 769.

Section added as § 9a by act approved, June 30, 1951. L.1951, p. 858. Renumbered § 9b and amended by act of 1953.

145b. § 9.01. Repealed by P.A. 77-2807, § 25, eff. Jan. 8, 1973.

Added by L.1951, p. 520.

145c. Vouchers—Requisites—Delegation of authority.] § 9.02 Every voucher, as submitted by the agency or office in which it originates, shall bear (1) the signature of the officer responsible for approving and certifying vouchers under this Act and (2) if authority to sign the responsible officer's name has been properly delegated, also the signature of the person actually signing the voucher.

When an officer delegates authority to approve and certify vouchers, he shall send a copy of such authorization containing the signature of the person to whom delegation is made to each office that checks or approves such vouchers and to the State Comptroller. Such delegation may be general or limited. If the delegation is limited, the authorization shall designate the particular types of vouchers that the person is authorized to approve and certify.

When any delegation of authority hereunder is revoked, a copy of the revocation of authority shall be sent to the Comptroller and to each office to which a copy of the authorization was sent. Amended by P.A. 78-592, § 55, eff. Oct. 1, 1973.

Added by L.1965, p. 473.

146. Issuance, certification and approval of vouchers for ordinary and contingent expenses.] § 10. When an appropriation has been made by the General Assembly for the ordinary and contingent expenses of the operation, maintenance and administration of the several offices, departments, institutions, boards, commissions and agencies of the State government, the State Comptroller shall draw his warrant on the State Treasurer for the payment of the same upon the presentation of itemized vouchers, issued, certified, and approved, as follows:

For appropriations to

(1) Elective State officers in the executive Department, to be certified and approved by such officers, respectively;

(2) The Supreme Court, to be certified and approved by the Chief Justice thereof;

(3) Appellate Court, to be certified and approved by the Chief Justice of each judicial district;

(4) The State Senate, to be certified and approved by the President;

(5) The House of Representatives, to be certified and approved by the Speaker;

(6) The Auditor General, to be certified and approved by the Auditor General;

(7) Clerks of courts, to be certified and approved by the clerk incurring expenditures;

(8) The departments under the Civil Administrative Code,[1] to be certified and approved by the Department of Finance;

(9) The University of Illinois, to be certified by the president and secretary of the Board of

Trustees of the University of Illinois, with the corporate seal of the University attached thereto;

(10) The State Universities Retirement System, to be certified to by the President and Secretary of the Board of Trustees of the System;

(11) The Board of Regents, and the universities under its jurisdiction to be certified to by the chairman and secretary of the Board of Regents, with the corporate seal of the Board of Regents attached thereto;

(12) The Board of Governors of State Colleges and Universities, and the universities and colleges under its jurisdiction to be certified to by the chairman and secretary of the Board of Governors of State Colleges and Universities, with the corporate seal of the Board of Governors of State Colleges and Universities attached thereto;

(13) Southern Illinois University, to be certified to by the President and Secretary of the Board of Trustees of Southern Illinois University, with the corporate seal of the University attached thereto;

(14) The Adjutant General, to be certified to by the Adjutant General and approved by the Department of Finance;

(15) All other officers, boards, commissions and agencies of the State government, certified to by such officer or by the president or chairman and secretary or by the executive officer of such board, commission or agency and approved by the Department of Finance;

(16) Individuals, to be certified by such individuals, and approved by the Department of Finance;

(17) The farmers' institute, agricultural, livestock, poultry, scientific, benevolent, and other private associations, or corporations of whatsoever nature, to be certified to by the president and secretary of such society and approved by the Department of Finance.

Nothing contained in this Section shall be construed to amend or modify the "Personnel Code".[2]

This Section is subject to Section 9.02.[3]

Amended by P.A. 78–1297, § 51, eff. March 4, 1975; P.A. 79–38, § 1, eff. Oct. 1, 1975.

[1] Chapter 127, § 1 et seq.
[2] Chapter 127, § 63b101 et seq.
[3] Chapter 127, § 145c.

P.A. 78–1297, the 1974 Revisory Act, declared in its title that it related to "certain nonsubstantive revisions of the law to resolve differences among the several forms of certain Sections amended by more than one Act of the 78th General Assembly".

147. Issuance, certification and approval of vouchers for fixed charges.] § 11. When an appropriation is made for the following fixed charges, the State Comptroller shall draw his warrant on the State Treasurer for the payment thereof, upon the presentation of itemized vouchers issued, certified and approved as follows:

(1) For local improvements and special assessments, certified by the Attorney General;

(2) For conveying convicts to the penitentiary or reform school, certified by the sheriff performing such service;

(3) For conveying juvenile female offenders to the State Training School for Girls, and for conveying delinquent boys to the Illinois State Training School for Boys, certified by the person or officer performing such service;

(4) For the apprehension and delivery of fugitives from justice, certified by the Governor;

(5) For rewards for arrest of fugitives from justice, certified by the Governor;

(6) For the expenses of the transfer of insane persons to the Illinois Security Hospital, either from any of the other State institutions, or upon the order of mittimus of any of the several courts, certified by the person performing such service;

(7) For compensation for diseased animals condemned and destroyed by the State, certified by the Director of Agriculture.

In each of the above cases the vouchers shall be approved by the Department of Finance.

In all other cases for the payment of fixed charges, the Comptroller shall draw his warrant on the State Treasurer for the payment of the amount due from the treasury.

This Section is subject to the provisions of Section 9.02.[1]

Amended by P.A. 78–592, § 55, eff. Oct. 1, 1973.

[1] Probably should read Section 9.02 (Section 145c of this chapter).

148. Vouchers for traveling expenses.] § 12. Each voucher for traveling expenses shall indicate the purpose of the travel as required by applicable travel regulations, shall be itemized and shall be accompanied by all receipts specified in the applicable travel regulations and by a certificate, signed by the person incurring such expense, certifying that the amount is correct and just; that the detailed items charged for subsistence were actually paid; that the expenses were occasioned by official business or unavoidable delays requiring the stay of such person at hotels for the time specified; that the journey was performed with all practicable dispatch by the shortest route usually traveled in the customary reasonable manner; and that such person has not been furnished with transportation or money in lieu thereof; for any part of the journey therein charged for.

An information copy of each voucher covering a claim by a person subject to the official travel regulations promulgated under Section 12–2[1] for travel reimbursement involving an exception to the general restrictions of such travel regulations shall be filed with the Director of Finance who shall submit these vouchers, or a report thereof, to the Governor's Travel Control Board for approval. Amounts disbursed for travel reimbursement claims which are disapproved by the Board shall be refunded to the State and deposited in the fund from which payment was made.

Amended by P.A. 79–874, § 1, eff. Sept. 10, 1975.

[1] Chapter 127, § 148—2.

148—1. Governor's Travel Control Board.] § 12–1. A Governor's Travel Control Board is created consisting of the Governor ex-officio as chairman, and two members appointed by the Governor. The Governor may designate a deputy, who may be an assistant or other subordinate, to serve in his place at any or all meetings of the board. The Board shall meet at least once each quarter. No member shall receive any additional compensation for his service as a member.

Amended by P.A. 79–874, § 2, eff. Sept. 10, 1975.

148—2. Official travel regulations—Reimbursement rates—Report.] § 12.2. Official travel regulations shall be promulgated and published by the Department of Finance and shall be applicable to the expenditures of State funds by personnel of all

State agencies as defined in the Illinois State Auditing Act except the following: judges, members of the General Assembly, the Auditor General, and personnel under the jurisdiction of the General Assembly, the Auditor General, the Supreme Court and other Travel Control Boards created by statute. The travel regulations and changes therein shall become effective only upon their approval by the Governor's Travel Control Board.

Rates for reimbursements made to State employees under the jurisdiction of the Governor's Travel Control Board for travel expenses incurred while on official business for the State shall be prescribed by the Director of the Department of Finance. Rates shall be calculated to be not in excess of the actual cost of travel as determined by the United States Internal Revenue Service, and each reimbursement shall be calculated from the actual starting point of the trip.

A report of travel reimbursement claims reviewed by the Governor's Travel Control Board shall be submitted by the Governor to the Legislative Audit Commission at least once each quarter and that Commission shall comment on all such reports in its annual reports to the General Assembly.

Amended by P.A. 79-1454, § 5[65], eff. Aug. 31, 1976.

P.A. 79-1454, the 1976 Revisory Act, declared in its title that it related to nonsubstantive revision, renumbering or repeal of sections necessitated by two or more Acts enacted by the 79th General Assembly and of those sections so affected by two or more Acts enacted by the 78th General Assembly which multiple amendment was not resolved by the 1974 Revisory.

148—3. Reports of officers and employees having official headquarters other than place of largest part of working time.] § 12-3. Each State agency shall file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. Such reports shall be filed with the Legislative Audit Commission on the first working day of June and of December each year. The report shall list, for each such officer or employee, the place designated as his official headquarters and the reason for that designation. Agencies with no officers or employees in this status shall file negative reports. The Legislative Audit Commission shall comment on all such reports in its annual reports to the General Assembly.

Added by P.A. 76-1920, § 1, eff. Oct. 13, 1969.

148—4. Legislative Travel Control Board.] § 12-4. A Legislative Travel Control Board is created within the Legislative branch of government, consisting of the following members serving ex-officio: the Auditor General as chairman, the President and Minority Leader of the Senate, and the Speaker and Minority Leader of the House of Representatives. Any member may designate a deputy, who may be an assistant or other subordinate, to serve in his place at any or all meetings of the board. Such designations shall be in writing and shall be directed to the chairman of the board. The board shall meet at least once each quarter. No member shall receive any additional compensation for his service as a member.

Added by P.A. 79-874, § 4, eff. Sept. 10, 1975.

148—5. Travel regulations—Promulgation and publication.] § 12-5. The Legislative Travel Control Board shall promulgate and publish travel regulations applicable to employees of the General Assembly, legislative boards and commissions, the Office of the Auditor General, and all legislative agencies. Such regulations shall become effective upon their being filed with the Secretary of State.

Added by P.A. 79-874, § 5, eff. Sept. 10, 1975.

148—6. Review of vouchers by the Legislative Travel Control Board.] § 12-6. Each voucher submitted by a person subject to the regulations promulgated under Section 12-5 [1] for travel reimbursement involving an exception to such regulations shall be reviewed by the Legislative Travel Control Board. Amounts disbursed for travel reimbursement claims which are disapproved by the Board shall be refunded to the State and deposited in the fund from which payment was made.

Added by P.A. 79-874, § 6, eff. Sept. 10, 1975.

[1] Chapter 127, § 148—5.

148—7. Report to Legislative Audit Commission by the Legislative Travel Control Board.] § 12-7. A report of travel reimbursement claims reviewed by the Legislative Travel Control Board shall be submitted by the Auditor General to the Legislative Audit Commission at least once each quarter and that Commission shall comment on all such reports in its annual reports to the General Assembly.

Added by P.A. 79-874, § 7, eff. Sept. 10, 1975.

148—8. Higher Education Travel Control Board.] § 12-8. A Higher Education Travel Control Board is created consisting of six members, one to be appointed by each of the following: the Board of Trustees of the University of Illinois, the Board of Trustees of Southern Illinois University, the Board of Governors of State Colleges and Universities, the Board of Regents of Regency Universities, the Illinois Community College Board, and the Illinois Board of Higher Education. Such member shall be an officer, employee or member of the Board making the appointment, or an employee of an institution governed or maintained by such board. The board shall select a chairman from its members. Any member may designate a deputy, who may be an assistant or other subordinate, to serve in his place at any or all meetings of the Board. Such designations shall be in writing and shall be directed to the chairman of the board with a copy provided to the Legislative Audit Commission. The board shall meet at least once each quarter. No member shall receive any additional compensation for his service as a member.

Added by P.A. 79-874, § 8, eff. Sept. 10, 1975.

148—9. Official travel regulations—Promulgation and publication.] § 12-9. The board shall promulgate and publish official travel regulations governing the Board of Higher Education, the Board of Trustees of the University of Illinois, the Board of Trustees of Southern Illinois University, the Board of Governors of State Colleges and Universities, the Board of Regents of Regency Universities, the Illinois Community College Board, the Illinois State Scholarship Commission, the State Universities Retirement System, the University Civil Service Merit Board and all employees of the named Boards, Commission and System. Such regulations shall become effective upon their being filed with the Secretary of State.

Added by P.A. 79-874, § 9, eff. Sept. 10, 1975.

148—10. Review of vouchers by the Higher Education Travel Control Board.] § 12-10. Each voucher, submitted by a person subject to the regulations promulgated under Section 12-9,[1] for

travel reimbursement involving an exception to such regulations shall be reviewed by the Higher Education Travel Control Board. Amounts disbursed for travel reimbursement claims which are disapproved by the Board shall be refunded to the State and deposited in the fund from which payment was made.

Added by P.A. 79-874, § 10, eff. Sept. 10, 1975.

[1] Chapter 127, § 148-9.

148—11. Report to Legislative Audit Commission by the Higher Education Travel Control Board.] § 12-11. A report of travel reimbursement claims reviewed by the Higher Education Travel Control Board shall be submitted to the Legislative Audit Commission at least once each quarter and that Commission shall comment on all such reports in its annual reports to the General Assembly.

Added by P.A. 79-874, § 11, eff. Sept. 10, 1975.

149. Classification of objects and purposes of appropriations—Appropriations for other purposes.] § 13. The objects and purposes for which appropriations are made are classified and standardized by items as follows:

(1) Personal services;
(2) Contractual services;
(3) Travel;
(4) Commodities;
(5) Equipment;
(6) Permanent improvements;
(7) Land;
(8) Electronic Data Processing;
(9) Operation of automotive equipment;
(10) Telecommunications services;
(11) Contingencies;
(12) Reserve.

When any appropriation payable from trust funds or federal funds includes an item for personal services, an additional item for "State contribution for employee group insurance" may also be included.

When an appropriation is made to an officer, department, institution, board, commission or other agency, or to a private association or corporation, in one or more of the items above specified, such appropriation shall be construed in accordance with the definitions and limitations specified in this Act, unless the appropriation act otherwise provides.

An appropriation for a purpose other than one specified and defined in this Act may be made only as an additional, separate and distinct item, specifically stating the object and purpose thereof.

Amended by P.A. 79-1375, § 2, eff. Aug. 11, 1976.

149.1 § 13.1 Repealed by P.A. 78-186, § 3, eff. July 18, 1973; P.A. 78-419, § 1, eff. Aug. 28, 1973.

Added by L.1963, p. 3547.

149.2. Transfers from among line item appropriations—Limitations—Approval of transfers—List of transfers for Auditor General.] § 13.2. Transfers among line item appropriations from the same treasury fund for the objects specified in this Section may be made in the manner provided in this Section when the balance remaining in one or more such line item appropriations is insufficient for the purpose for which the appropriation was made. No transfers may be made from one agency to another agency, nor may transfers be made from one institution of higher education to another institution of higher education. Transfers may be made only among the objects of expenditure enumerated in this section, except that no funds may be transferred from any appropriation for personal services nor from any appropriation for State contribution for employee group insurance. The sum of such transfers for an agency in a fiscal year shall not exceed 2% of the aggregate amount appropriated to it within the same treasury fund for the following objects: Personal Services; Extra Help; Student and Inmate Compensation; State Contributions to Retirement Systems; State Contributions to Social Security; State Contribution for Employee Group Insurance; Contractual Services; Travel; Commodities; Printing; Equipment; Electronic Data Processing; Operation of Automotive Equipment; Telecommunications Services; Library Books; Federal Matching Grants for Student Loans; Refunds; Workmen's Compensation, Occupational Disease, and Tort Claims; and, in appropriations to institutions of higher education, Awards and Grants.

Transfers among appropriations made to agencies of the Legislative and Judicial departments and to the constitutionally elected officers in the Executive branch require the approval of the officer authorized in Section 10 of this Act[1] to approve and certify vouchers. Transfers among appropriations made to the University of Illinois, Southern Illinois University, the several universities and colleges under the governance of the Board of Governors of State Colleges and Universities, the several Regency Universities under the jurisdiction of the Board of Regents, and the Board of Higher Education require the approval of the Board of Higher Education and the Governor. Transfers among appropriations to all other agencies require the approval of the Governor. The officer responsible for approval shall certify that the transfer is necessary to carry out the programs and purposes for which the appropriations were made by the General Assembly and shall transmit to the State Comptroller a certified copy of the approval which shall set forth the specific amounts transferred so that the Comptroller may change his records accordingly. The Comptroller shall furnish the Governor with information copies of all transfers approved for agencies of the Legislative and Judicial departments and transfers approved by the constitutionally elected officials of the Executive branch other than the Governor, showing the amounts transferred and indicating the dates such changes were entered on the Comptroller's records.

Each officer authorized to approve appropriation transfers shall transmit to the Auditor General a list of such transfers he has approved as soon as possible after the close of business on the last day of each month. Each responsible officer shall also transmit to the General Assembly and the chairman and the minority spokesman of the House Appropriations Committee and the chairman and minority spokesman of the Appropriations Division of the Senate Public Finance Committee on October 15 and on April 15 of each fiscal year a report listing all such transfers.

Amended by P.A. 79-1375, § 2, eff. Aug. 11, 1976.

[1] Chapter 127, § 146.

149.3 Petty cash funds—State agencies.] § 13.3. Any State agency may establish and maintain petty cash funds for the purposes of purchasing items of small cost, payment of postage due, and for other nominal expenditures which cannot

be administered economically and efficiently through customary procurement practices.

Such petty cash funds may be established and maintained from moneys which are appropriated to the agency for Contractual Services. In the case of an agency which receives a single appropriation for its ordinary and contingent expenses, the agency may establish a petty cash fund from such appropriated funds.

Prior to the establishment of any such fund, the agency shall submit to the State Comptroller a survey of the need for such fund. The survey shall also establish that sufficient internal accounting controls exist. The Comptroller shall investigate such need and if he determines that it exists and that adequate accounting controls exist, shall approve the establishment of the fund. The Comptroller shall have the power to revoke any approval previously made pursuant to this section.

Petty cash funds established under this Section shall be operated and maintained on the imprest system and no such fund shall exceed $100. Single transactions shall be limited to amounts less than $10 and all transactions occurring in such fund shall be reported and accounted for as may be provided in the uniform accounting system developed by the State Comptroller and the rules and regulations implementing that accounting system.

Upon succession in the custodianship of any such fund both the former and successor custodians shall sign a statement, in triplicate, showing the exact status of the fund at the time of the transfer. The original copy shall be kept on file in the office wherein such fund exists, and each signer shall be entitled to retain one copy.

As used in this Section, "State agency" means any department, officer, authority, public corporation, quasi-public corporation, commission, board, institution, State college or university, or other public agency created by the State, other than units of local government and school districts.
Added by P.A. 79–999, § 1, eff. Sept. 17, 1975.

§ 149.4 Recommended appropriations to be introduced or submitted to legislative leaders.] § 13.4 All appropriations recommended to the General Assembly by the Governor in the State Budget submitted pursuant to Section 38 of "The Civil Administrative Code of Illinois" [1] shall be incorporated into and prepared as one or more appropriation bills which shall either be introduced in the General Assembly or submitted to the legislative leaders of both the Senate and the House of Representatives not later than the first Friday of April immediately preceding the start of the fiscal year for which the Budget is recommended.
Added by P.A. 78–2, Fourth Sp.Sess., § 1, eff. Dec. 19, 1973.

[1] Chapter 108½, § 15—106.

150. Personal services defined—Chaplains' salaries as rental allowance—Group insurance contribution.] § 14. The item "personal services", when used in an appropriation act, means the reward or recompense made for personal services rendered for the State by an officer or employee of the State or of an instrumentality thereof, or for the purpose of Section 14a of this Act,[1] or any amount required or authorized to be deducted from the salary of any such person under the provisions of Section 30c of this Act,[2] or any retirement or tax law, or both, or deductions from the salary of any such person under the Social Security Enabling Act [3] or deductions from the salary of such person pursuant to "An Act relating to the deduction from salaries or wages of State officers and employees of amounts of money designated by them for payment to the United Fund or other similar organization", approved August 21, 1961 as heretofore and hereafter amended.[4]

If no home is furnished to a person who is a full-time chaplain employed by the State, 20% of the salary paid to that person for his personal services to the State as chaplain are considered to be a rental allowance paid to him to rent or otherwise provide a home. This amendatory Act of 1973 applies to State salary amounts received after December 31, 1973.

When any appropriation payable from trust funds or federal funds includes an item for personal services but does not include a separate item for State contribution for employee group insurance, the State contribution for employee group insurance in relation to employees paid under that personal services line item shall also be payable under that personal services line item.

Amended by P.A. 79–1375, § 2, eff. Aug. 11, 1976.

[1] Chapter 127, § 150a.
[2] Chapter 127, § 166c.
[3] Chapter 108½, § 21–101 et seq.
[4] Chapter 127, §§ 371, 372.

150a. Payment for accrued vacation pay upon death or resignation—Method of computation.] § 14a. Upon the death of a State employee his estate is entitled to receive from the appropriation for personal services available for payment of his compensation such sum for any accrued vacation period and accrued overtime as would have been paid or allowed to such employee had he survived.

The State Comptroller shall draw his warrant or warrants against the appropriation, upon receipt of a proper death certificate, payable to decedent's estate, or if no estate is opened, to the person or persons entitled thereto under Section 324 of the Probate Act [1] upon receipt of the affidavit referred to in that Section, for the sum due.

The Department of Personnel shall prescribe by rule the method of computing the accrued vacation period and accrued overtime for all employees, including those not otherwise subject to its jurisdiction, and for the purposes of this Act the Department of Personnel may require such reports as it deems necessary.

Upon the resignation of a State employee from State service or upon the movement of a State employee from a position subject to the Personnel Code [2] to another State position not subject to the Personnel Code, or to a position subject to the Personnel Code from a State position not subject to the Personnel Code, or upon the movement of a State employee of an institution or agency subject to the University Civil Service System of Illinois from one such institution or agency to another such institution or agency, his accrued vacation and overtime shall be payable in a single lump sum payment.

Amended by P.A. 78–592, § 55, eff. Oct. 1, 1973.

[1] Chapter 3, § 324.
[2] Chapter 127, § 63b101 et seq.
Added by L.1963, p. 3078.

151. § 15. Repealed by act approved July 9, 1951. L.1951, p. 1216.

151a. "Contractual services" defined.] § 15a. The item "contractual services", when used in an appropriation act, means and includes:

(a) Expenditures incident to the current conduct and operation of an office, department, board, commission, institution or agency for postage and postal charges, surety bond premiums, publications, office conveniences and services, exclusive of commodities as herein defined;

(b) Expenditures for rental of property or equipment, repair or maintenance of property or equipment, utility services, professional or technical services, moving expenses incident to a new State employment, and transportation charges exclusive of "travel" as herein defined;

(c) Expenditures for the rental of lodgings in Springfield, Illinois and for the payment of utilities used in connection with such lodgings for all elected State officials, who are required by Section 1, Article V of the Constitution of the State of Illinois to reside at the seat of government during their term of office.

The item "contractual services" does not, however, include any expenditures included in "operation of automotive equipment" as defined in Section 24.2.[1]

Amended by P.A. 77-1376, § 1, eff. Aug. 31, 1971.

[1] Chapter 127, § 160.2.

Section added: L.1943, vol. 2, p. 368.

151b. "Commodities" defined.] § 15b. The item "commodities" when used in an appropriation act, means and includes expenditures in connection with current operation and maintenance for the purchase of articles of a consumable nature which show a material change or appreciable depreciation with first usage, repair parts, and small tools having a unit value not in any instance exceeding $25, but does not include expenditures included in "operation of automotive equipment" as defined in Section 24.2.[1] As amended by act approved April 20, 1967. L.1967, p. 311.

[1] Chapter 127, § 160.2.

Section added: L.1943, vol. 2, p. 368.

152. "Travel" defined.] § 16. The item "travel" when used in an appropriation act, shall include any expenditure directly incident to official travel by State officers and employees or by wards or charges of the State, involving reimbursement to travellers or direct payment to private agencies providing transportation or related services. As amended by act approved, July 9, 1951. L.1951, p. 1216.

153 to 155. §§ 17-19. Repealed by act approved June 15, 1943. L.1943, vol. 2, p. 368.

156. "Equipment" defined.] § 20. The item "equipment," when used in an appropriation act, shall mean and include expenditures for the acquisition, replacement or increase of visible tangible personal property of a non-consumable nature, including livestock. As amended by act approved June 15, 1943. L.1943, vol. 2, p. 368.

157. "Permanent improvements" defined.] § 21. The item "permanent improvements" when used in an appropriation act, shall mean and include expenditures for the acquisition, enlargement or improvement of existing buildings and structures (other than repairs), the erection or construction on land of any structure or work which constitutes a substantial addition to real estate, including the total cost thereof in labor, material and supplies and any other costs or charges necessary or incident to the completion of the building or structure but not including equipment as herein defined. As amended by act approved June 15, 1943. L.1943, vol. 2, p. 368.

158. "Land" defined.] § 22. The item "land" when used in an appropriation act, shall mean and include expenditures for the acquisition of real estate (or rights therein other than leasehold interests obtained through rental), and consequential damages to real estate occasioned by public improvements, whether obtained by purchase or by condemnation under the eminent domain laws of this State, and for expenses necessarily incidental to such purchase or condemnation. As amended by act approved June 15, 1943. L.1943, vol. 2, p. 368.

159. "Contingencies" defined—Transfers from contingency appropriations.] § 23. The item "contingencies," when used in an appropriation act, shall include expenditures for purposes either not covered in any other item or for which the amount appropriated in such other item is or becomes insufficient.

When an appropriation to any department, office or institution for any specific purpose becomes insufficient, and it is deemed necessary to expend funds out of a contingency appropriation to such department, office or institution to provide for the insufficiency, the State Comptroller may, upon approval of the Governor, transfer from such contingency appropriation to the appropriation which is or becomes insufficient, such amount as may be required; provided, that transfers to be made from appropriations to elected constitutional State officers for contingencies and transfers to be made from appropriations to the board of trustees of the University of Illinois may be made by such officers or such board of trustees without the approval of the Governor.

Amended by P.A. 78-592, § 55, eff. Oct. 1, 1973.

160. "Reserve" defined.] § 24. The item "reserve," when used in an appropriation act, shall include expenditures for public purposes which were unforeseen by the General Assembly.

An appropriation "for reserve" to be expended by the director of finance, on the approval of the Governor, violates Const. art. 5, § 16. Peabody v. Russel, 302 Ill. 111, 134 N. E. 150.

160.1 "Electronic data processing" defined.] § 24.1 The item "electronic data processing" means, and when used in an appropriation act, includes all expenditures incurred for the lease, rental or purchase of electronic data processing equipment and related devices, supplies, services, material and space therefor, and personal services needed. Added by act approved Aug. 2, 1965. L.1965, p. 2412.

160.2 "Operation of automotive equipment" defined.] § 24.2. The item "operation of automotive equipment", when used in an appropriation act, means and includes all expenditures incurred in the operation, maintenance and repair of automotive equipment, including expenditures for motor fuel, tires, oil, repair parts and other articles which, except for the operation of this section, would be classified as "commodities", but not including expenditures for the purchase or rental of equipment. Added by act approved April 20, 1967. L.1967, p. 311.

160.3 "Telecommunications services" defined.] § 24.3. The item "telecommunication services", when used in an appropriation act, means and includes all expenditures incurred for the lease, rental or purchase of telecommunications interconnection facility equipment, supplies, maintenance, services and space therefore, and related personal services but not including personal services for the operation of single agency systems. Telecommunications services shall include but is not limited to the interconnection of educational television, radio and computers but shall not include the preparation of or the content of the subject matter transmitted. Telecommunications equipment includes telephone, radio, teletype, teletypewriter, computer and other voice, data, or video interconnection facility systems.
Amended by P.A. 76-2426, § 1, eff. July 1, 1970.

Section added: P.A. 76-1030, eff. July 1, 1970.

161. For what period appropriation available.] § 25. All appropriations shall be available for expenditure for the fiscal year or for a lesser period if the Act making that appropriation so specifies. A deficiency or emergency appropriation shall be available for expenditure only through June 30 of the year when the Act making that appropriation is enacted unless that Act otherwise provides.

Outstanding liabilities as of June 30, payable from appropriations which have otherwise expired, may be paid out of the expiring appropriations during the three-month period ending at the close of business on September 30.

However, medical payments may be made by the Department of Public Aid from its appropriations for that purpose for any fiscal year, without regard to the fact that the medical services being compensated for by such payment may have been rendered in a different fiscal year.

Amended by P.A. 79-646, § 2, eff. Oct. 1, 1975.

161.1 § 25.1. Repealed by P.A. 77-2807, § 25, eff. Jan. 8, 1973.

Added by P.A. 77-502, § 1.

162, 163. §§ 26, 27. Repealed by P.A. 76-334, § 2, eff. July, 1969.

164. § 28. Repealed by P.A. 77-1208, § 24, eff. Aug. 20, 1971.

165. § 29. Repealed by P.A. 77-2807, § 25, eff. Jan. 8, 1973.

165a. Payment of laborers and emergency purchases for road work.] § 29a. The Department of Public Works and Buildings is authorized to contract with any bank or banks in the State for the payment by such banks for the labor and services of day laborers engaged in State road construction and maintenance work and for emergency purchases in such work. Any such emergency purchase shall not be for an amount in excess of $25.00. Such bank or banks shall be reimbursed out of appropriations made to the department in accordance with the provisions of this Act, and shall be paid such reasonable compensation for its services as may be agreed on by the department and the bank.

Such payments by any bank shall be made only upon the authorization of some employe or agent of the department duly designated by it for this purpose. Such employe or agent shall be required to furnish to the department a bond, to be paid for by the department, in an amount equal to twice the total of such payments at any one time. [Added by act approved July 6, 1927. L.1927, p. 866.]

166. Indebtedness exceeding appropriation prohibited.] § 30. No officer, institution, department board or commission shall contract any indebtedness on behalf of the State, nor assume to bind the State in an amount in excess of the money appropriated, unless expressly authorized by law.

166a. State officers or employees advocating overthrow of government by force or belonging to organizations so advocating.] § 30a. No part of any appropriation which has been heretofore made, or which shall hereafter be made, shall be used to pay any part of the compensation or the expenses of any officer or employee of the Government of the State of Illinois, or any political subdivision, agency or instrumentality thereof, but excluding cities, villages, incorporated towns, townships and counties, who, directly or indirectly advocates the overthrow of the government of the United States or the State of Illinois by force, or who knowingly joins, or who knowingly remains for a period of twenty days a member of, any organization which advocates the overthrow of the government of the United States or the State of Illinois by force, or who knowingly remains for a period of twenty days a member of any organization which is founded by or whose activities are controlled in whole or in part by any individual or any organization which advocates the overthrow of the government of the United States or the State of Illinois by force, after he has knowledge, or has reasonable cause to believe that such organization of which he is about to become a member, or of which he is a member, either advocates the overthrow of the government of the United States or the State of Illinois by force, or is affiliated with another organization which advocates the overthrow of the government of the United States or the State of Illinois by force. As amended by act approved July 18, 1955. L.1955, p. 2206.

Section added: L.1941, vol. 1, p. 1269.
Validity: See Thalberg v. Board of Trustees of University of Illinois, 309 F.Supp. 630.

166b. State employees' affidavit.] § 30b. No employee of the State of Illinois, or any political subdivision, agency or instrumentality thereof, but excluding cities, villages, incorporated towns, townships and counties, shall receive compensation or expenses from any appropriation which has been heretofore made, or which shall hereafter be made until such person has on file with his or her employing authority the following affidavit signed under oath:

State of Illinois
United States of America } SS

I, ... do swear (or affirm) that I am not a member of nor affiliated with the communist party and that I am not knowingly a member of nor knowingly affiliated with any organization which advocates the overthrow or destruction of the Constitutional form of the government of the United States or of the State of Illinois, by force, violence or other unlawful means.

(Signed) .....

..... (seal)
Notary Public

Added by act approved July 18, 1955. L.1955, p. 2206.

Validity: See Thalberg v. Board of Trustees of University of Illinois, 309 F.Supp. 630.

166c. Annuity contracts for employees.] § 30c. The acceptance of a reduction in earnings or the foregoing of an increase in earnings by an employee in consideration for which an employer pays the amount of the adjustment in earnings to an insurance company or companies selected by the employer to be applied as a premium on an annuity contract, with or without incidental life insurance benefits, under which the employee's rights are nor-forfeitable except for failure to pay future premiums may be permitted in the following cases:

(a) By any employer as defined in Section 15–106 of the "Illinois Pension Code",[1] for any employee;

(b) By any Department as defined in Section 14–107 of the "Illinois Pension Code",[2] for any employee;

(c) By the Superintendent of Public Instruction with the State Comptroller for any employee who is certified under the laws governing certification of teachers and is covered by the Teachers' Retirement System of the State of Illinois;

(d) By the Superintendent of Public Instruction with the Comptroller for any regional superintendent of schools or assistant regional superintendent of schools; or

(e) By the Department of Children and Family Services, the Department of Mental Health and Developmental Disabilities or the Department of Corrections, each with the Comptroller for any teacher at any of the institutions listed in Section 9 of "An Act creating the Department of Children and Family Services, codifying its powers and duties, and repealing certain Acts and Sections herein named", approved June 4, 1963, as amended,[3] in Section 4 of "An Act codifying the powers and duties of the Department of Mental Health and Developmental Disabilities", approved August 2, 1961, as amended,[4] or in Section 19 of the "Juvenile Offenders Act".[5]

The selection of the insurance company or companies and the purchase of the annuity contracts shall not be subject to "The Illinois Purchasing Act".[6]

Each employer, or Department, as specified in this Section, the Department of Children and Family Services with the Comptroller, the Department of Mental Health and Developmental Disabilities with the Comptroller or the Department of Corrections with the Comptroller or the Superintendent of Public Instruction with the Comptroller, as the case may be, may adopt rules to implement this Act including, but not by way of limitation, (a) the method of filing an election to accept an adjustment in earnings and revocation of the election, (b) the effective date of an election, (c) changes in the amount of the adjustment in earnings, and (d) selection of the insurance company or companies from which the annuity contracts are to be purchased.

Amended by P.A. 78–992, § 48, eff. Oct. 1, 1974; P.A. 78–1277, § 2, eff. Dec. 30, 1974; P.A. 78–1297, § 58, eff. March 4, 1975; P.A. 79-1057, § 7, eff. Oct. 1, 1975.

[1] Chapter 108½, § 15–106.
[2] Chapter 108½, § 14–107.
[3] Chapter 23, § 5009.
[4] Chapter 91½, § 100—4.
[5] Chapter 23, § 2527, Repealed.
[6] Chapter 127, § 132.1 et seq.
Added by L.1963, p. 2406.

The 1974 Revisory Act, P.A. 78–1297, § 58, provided: "Each of the several sections of Acts enumerated in this Section were amended by more than one Act of the 78th General Assembly but the Public Act specified with reference to each such Section incorporates in one form the text of that Section as amended by these several amendatory Acts."

167. Copies of certain contracts to be filed.] § 31. Whenever a contract liability, except for personal services, equaling or exceeding one thousand dollars in amount, shall be incurred by any officer, department, institution, board or commission provided for by "The Civil Administrative Code," a copy of such contract, with all the plans and specifications accompanying the same, shall within five days thereafter, be filed in the office of the Department of Finance.

[§ 32. Repeal.]

167.01 § 33. Repealed by P.A. 77–2807, § 25, eff. Jan. 8, 1973.

Added by L.1967, p. 2566.

167.02 Funds not subject to appropriation—Payment to treasurer — Accounts — Payments upon warrants. § 34. All public funds received or held by any State agency as defined in Section 7 of the "State Comptroller Act" [1] and not subject to appropriation, except funds required to be held or directly administered by a State agency pursuant to (a) any Act in relation to revenue bonds, (b) any bond indenture or other legally binding bond contract, (c) limitations legally imposed by the source of such funds, or (d) another statute, shall be paid over to the State treasurer within 10 days of their receipt or July 1, 1974, whichever is later, and shall be held by the State treasurer in a special fund for such agency. The comptroller shall set up and maintain accounts for such funds as may be appropriate, in conformity with the "State Comptroller Act" and the rules and regulations adopted under that Act. Payments out of such funds shall be made by the treasurer only upon warrant drawn and presented by the comptroller in compliance with the "State Comptroller Act".

Added by P.A. 77–2807, § 23, eff. July 1, 1974.

[1] Chapter 15, § 207.

167a. § 1 (L.1935–36, 2nd Sp.Sess., p. 19). Expired.

167b. (L.1939, p. 327). Repealed by act approved June 30, 1949. L.1949, p. 1582.

APPENDIX II-A

AN APPROPRIATION BILL

SB 1622 BOB162-7

AN ACT to provide for the ordinary and contingent expenses of the Department on Aging.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 1. The following named amounts, or so much thereof as may be necessary, respectively, for the objects and purposes hereinafter named are appropriated to meet the ordinary and contingent expenses of the Department on Aging:

OPERATIONS

PAYABLE FROM GENERAL REVENUE FUND

For Personal Services	$ 177,400
For State Contribution to State Employees' Retirement System	11,849
For State Contribution to Social Security	9,486
For Contractual Services	72,800
For Travel	35,200
For Commodities	7,900
For Printing	2,500
For Equipment	8,000
For Telecommunications Services	14,500
For Operation of Auto Equipment	2,000
Total, General Revenue	$ 341,635

PAYABLE FROM FEDERAL SERVICES FOR OLDER AMERICANS FUND

For Personal Services	$ 557,400
For State Contribution to State Employees' Retirement System	37,400
For State Contribution to Social Security	22,300
For Contractual Services	126,900
For Travel	28,500
For Commodities	16,000
For Printing	10,000

Originated in the Senate Kenneth Wright Secretary of the Senate

PUBLIC ACT 79-1254

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For Equipment 10,000

For Telecommunications Services ..... $ 8,000

For Operation of Auto Equipment 1,000

Total, Federal Services for Older Americans Fund $ 817,500

(Total, Section 1, $1,159,128
General Revenue, $341,635
Federal funds, $817,500)

Section 2. The following named amounts, or so much thereof as may be necessary, respectively, for the purposes hereinafter named are appropriated to meet the ordinary and contingent expenses of the Department on Aging:

GRANTS-IN-AID

For distributive expenses to provide services to senior citizens as provided by law:

Payable from General Revenue Fund ..... $ 585,800

In accordance with Title III of the Older Americans Act:

Payable from Federal Services for Older Americans Fund ..... $ 4,332,700

In accordance with Title VII of the Older Americans Act:

Payable from Federal Services for Older Americans Fund ..... $ 10,129,300

In accordance with Title XX of the Social Security Act:

Payable from General Revenue Fund 1,089,600

Section 3. The following named amounts are appropriated to the Department on Aging from funds made available by the Federal government under the Job Opportunities Program, Title X of the "Public Works and Economic Development Act of 1965", as amended, for:

OPERATIONS

For the nursing home ombudsman program ..... $ 88,260

For an information and referral program 53,392

Total, Operations $ 141,652

Carl
Wan

GRANTS-IN-AID

For the nursing home ombudsman program ..... $ 274,833

For an information and referral program 328,447

Total, Grants $ 603,280

Section 4. Not more than fifty per cent (50%) of the appropriations made in Section 1 shall be expended, obligated, or contracted from the date this Act becomes effective to the first day of January, 1977.

Section 5. This Act becomes effective July 1, 1976.

President of the Senate

Speaker, House of Representatives

APPROVED

this 9th day of July, 1976 A.D.

GOVERNOR

APPENDIX III-A

LIST OF TRANSFERS, ROUTINE AND NONROUTINE

ROUTINE TRANSFERS

TO	AMOUNT	FROM
General Revenue Fund	$ 790,907,425	Public Aid Trust Fund
General Revenue Fund	54,461,336	State Lottery Fund
General Revenue Fund	12,671,989	Municipal R.O.T. Fund
General Revenue Fund	7,881,740	Warrants Escheated Fund
General Revenue Fund	2,536,395	Public Assistance Recoveries Fund
General Revenue Fund	2,241,623	Protest Fund
General Revenue Fund	1,060,475	County R.O.T. Fund
General Revenue Fund	51,998	Illinois Tourism Promotion Fund
General Revenue Fund	13,550	Safety Responsibility Fund
Common School Fund	642,963,840	General Revenue Fund
Common School Fund	222,993,780	Federal Fiscal Assistance Fund
Downstate Public Transportation Fund	8,325,030	General Revenue Fund
Local Government Distributive Fund	119,250,078	General Revenue Fund
Public Transportation Fund	82,469,978	General Revenue Fund
State Lottery Fund	2,000,000	General Revenue Fund
Anti-Pollution B.I. & R. Fund	4,560,424	General Revenue Fund
Capital Development B.R. & I. Fund	26,828,000	General Revenue Fund
Public Welfare Building B.R. & I. Fund	8,349,583	General Revenue Fund
School Construction B.R. & I. Fund	3,318,000	General Revenue Fund
Transportation Bond Series A R. & I. Fund	12,972,828	Road Fund
Transportation Bond Series B R. & I. Fund	11,832,496	General Revenue Fund
Universities Building B.R. & I. Fund	10,765,958	General Revenue Fund
Road Fund	154,424,070	Motor Fuel Tax-State Fund
Road Fund	3,206	Protest Fund
Road Fund	1,200,000	Right-of-Way Trust Fund
Motor Fuel Tax-Municipalities Fund	101,694,402	Motor Fuel Tax-State Fund
Motor Fuel Tax-Counties Fund	73,858,421	Motor Fuel Tax-State Fund
Motor Fuel Tax-Townships and Road Districts Fund	33,554,538	Motor Fuel Tax-State Fund
Grade Crossing Protection Fund	2,400,000	Motor Fuel Tax-State Fund
State Boating Act Fund	2,016,000	Motor Fuel Tax-State Fund
Motor Fuel Tax-State Fund	5,572	Protest Fund
Municipal R.O.T. Fund	384,059	Protest Fund
County R.O.T. Fund	11,388	Protest Fund
Special Purpose Trust Fund	13,120,221	Public Aid Trust Fund

NON-ROUTINE TRANSFERS

TO	AMOUNT	FROM
General Revenue Fund	$ 14,500,000	Agricultural Premium Fund
General Revenue Fund	15,000,000	Metropolitan Fair and Exposition Authority Reconstruction Fund
General Revenue Fund	7,464,157	Road Fund
General Revenue Fund	1,500,000	Illinois Fund for Illinois Colts
General Revenue Fund	1,187,650	Metropolitan Exposition Auditorium and Office Building Fund
General Revenue Fund	500,000	Fire Prevention Fund
General Revenue Fund	76,071	Federal Old Age Survivors Insurance Fund
Agricultural Premium Fund	1,000,000	Fair and Exposition Fund
Local Fire Protection Personnel Fund	577,292	General Revenue Fund
Local Governmental Law Enforcement Officers Fund	2,758,900	General Revenue Fund
Federal Vocational Rehabilitation Fund	304,283	Federal Old Age Survivors Insurance Fund

Routine transfers are repetitive transactions that are usually effected at regular intervals. Most of these serial transfers are authorized in general or specific terms, by the statutes. Monthly transfers to the Motor Fuel Tax distributive funds are an example of such transactions. Non-Routine transfers may be discretionary or mandatory, as provided by the statutes.

Source: Comptroller's Annual Report, 1975, pp. 5,6.

APPENDIX IV-A

FEDERAL FUNDS SECTION
STATE BOARD OF EDUCATION APPROPRIATION BILL

From Federal Funds:

561-58607-4400-0000	For grants to local educational agencies for programs under the Indo-Chinese Refugee Assistance Act..... $	240,000
561-58619-4400-0000	For reimbursement to local educational agencies for adult basic education programs under the Adult Education Act of 1966.....	4,500,000
561-58622-4400-0000	For financial assistance for school library resources books, periodicals, documents, audio-visual materials, text-books, and other instructional materials in connection with Title II of the "Elementary and Secondary Education Act of 1965".....	4.691.000
561-58621-4400-0000	For financial assistance for development of educational programs and educational services for educationally disadvantaged children who do not qualify for special education facilities in connection with Title I of the "Elementary and Secondary Education Act of 1965".....$	132,409,826
561-58616-4400-0100	For reimbursement in accordance with the State plan and all Federal provisions of Title III of "The National Defense Education Act".....	1,340,000
561-58623-4400-0000	For financial assistance for initiation, expansion and improvement of programs and projects for education of handicapped children at the pre-school elementary and secondary level in connection with Title VI of the "Elementary and Secon-dary Education Act of 1965".....	8,681,200
410-58616-4400-0100	For the needy breakfast, lunch, school lunch and special lunch programs, pro-vided that any Federal funds received for other purposes shall be paid into the proper Trust Account in the State Treasury and disbursed for the purposes prescribed by Federal Law or regulation	116,000,000
410-58616-4400-0200	For the non-food assistance program pro-vided that any Federal funds received for other purposes shall be paid into the proper trust Account in the State Treasury and disbursed for purposes prescribed by Federal law or regula-tion.....	2,500,000

Appendix IV-A (continued)

561-58616-4400-0200	For grants to local educational agencies for the development of innovations and exemplary education programs and supplementary education centers in connection with Title III of the "Elementary and Secondary Education Act of 1965".....	2,100,000
405-58616-4400-0000	For the School Milk and Demonstration Centers program, provided that any Federal funds received for other purposes shall be paid into the proper Trust Account in the State Treasury and disbursed for purposes prescribed by Federal law or regulation.....	17,600,000
570-58616-4400-0000	For reimbursement to local educational agencies for programs under the Regional Deaf-Blind program.....$	408,994
561-58628-4400-0000	For reimbursement to local educational agencies for programs under the Career Education Program.....	200,000
561-58625-4400-0000	For reimbursement to local educational agencies for programs under the Migrant program in connection with Title I of the "Elementary and Secondary Education Act of 1965".....	1,476,700
561-58631-4400-0000	For financial assistance for library resources books, periodicals, documents, audio-visual materials, textbooks, and other instructional materials in connection with Title IV of the Education Amendment of 1974.....	10,544,800
561-58629-4400-0000	For grants to local educational agencies for the development of innovations and exemplary education programs and supplementary education centers in connection with Title IV of the "Elementary and Secondary Education Act of 1965"..	9,010,300
082-58660-4400-0000	For distribution to schools for programs in vocational and technical subjects and for State educational institutions offering approved teacher training courses in accordance with Public Law 90-576, Vocational Education Amendments of 1968.	18,750,000
082-58675-4400-0000	For reimbursement to local agencies participating in the Education Professions Development Act.....	237,500
082-58677-4400-0000	For distribution to schools for Vocational Career Education programs.....	196,100
656-58674-4400-0000	For distribution to Public and Private Educational Agencies participating in programs requested by the City of Chicago in accordance with the Comprehensive Employment and Training Act.....	4,900,000

082-58670-4400-0000	For reimbursement to local agencies participating in programs for Students with Special Needs in accordance with Public Law 90-576, Vocational Education Amendments of 1969.....	890,000
082-58670-4400-0100	For reimbursement to local agencies participating in programs of Vocational Research in accordance with Public Law 90-576, Vocational Education Amendments of 1969.....$	420,000
082-58670-4400-0200	For reimbursement to local agencies participating in Innovative and Exemplary Vocational Education Programs in accordance with Public Law 90-576, Vocational Education Amendments of 1969.....	260,100
082-58670-4400-0300	For reimbursement to local agencies participating in Consumer and Homemaking Programs in accordance with Public Law 90-576, Vocational Education Amendments of 1968.....	1,350,000
082-58670-4400-0400	For reimbursement to local agencies participating in the Cooperative Education Program in accordance with Public Law 90-576, Vocational Education Amendments of 1968.....	630,000
082-58670-4400-0500	For reimbursement to local agencies participating in Work Study Programs in accordance with Public Law 90-576, Vocational Education Amendments of 1968..	430,000
082-58672-4400-0000	For reimbursement to local agencies participating in the Comprehensive Illinois Occupational Center.....	25,000
561-58613-4400-0000	For reimbursement to local agencies participating in the Educational Fellowships Program.....	237,500
	Total, Federal Funds.....	$ 340,029,020
	Total, Section 3, General Revenue Fund, $241,550,607; Driver Education Fund, $10,307,500; Common School Fund $5,519,500; and Federal Funds, $340,029,020.	

Section 3a. The sum of $10,000,000 (143-58616-4400-0000) or so much thereof as may be necessary, is appropriated from the School Construction Fund to the State Board of Education for special education building projects.

Section 4. No part of the money appropriated by this Act shall be distributed to any school district in which any students are excluded

from or segregated in any public school within the meaning of "The School Code", because of race, color or nationality.

Sections 5 and 5a. (Omitted. See Teachers Retirement System.)

Section 6. The following sums, or so much thereof as may be necessary, respectively, are appropriated from the Common School Fund to the State Board of Education for apportionment and payments as provided in Section 18-7 of "The School Code", approved March 18, 1961, as amended for the following purposes:

412-58616-4489-0800	For the Teachers' Retirement System of the State of Illinois, as provided by law.....	$ 147,400,000
412-58616-4489-0900	For the Teachers' Retirement System of the City of Chicago, as provided by law.....	41,419,400
	Total, Section 6.....	$ 188,819,400

Section 6(a). Not more than fifty percent (50%) of the appropriations in this Act for personal services, equipment, travel, printing, telecommunications services, commodities, and electronic data processing shall be expended, obligated, or contracted for from the date this Act becomes effective until January 1, 1977.

Section 7. Any Federal Funds requiring expenditure within 90 days or less of receipt of such funds in excess of the appropriation in Sections 1 and 3 shall be paid into the proper Trust Account in the State Treasury. Prior to expenditure of such funds, the State Superintendent of Education shall notify in writing the Chairman and Minority Co-Spokesmen of the House Appropriations II Committee and the Chairman and Minority Co-Spokesman of the Senate Appropriations Committee of the receipt and intended disbursement of such funds. Unanimous approval by such persons must be obtained before said Federal funds may be expended.

Section 8. This Act shall take effect July 1, 1976.

Source: Illinois Appropriations, FY 1977, pp. 495-499.

APPENDIX IV-B

COMPTROLLER'S REPORT
EXCERPT FROM FEDERAL GOVERNMENT AS A SOURCE

CE: H31 FEDERAL GOVERNMENT

77,875	4,697	1557.9	001	GENERAL REVENUE FUND	909,845	3,973,041	77.1-	3,973,041
62,991,350	12,412,541	407.4	011	ROAD FUND	376,196,764	220,444,697	70.6	220,444,697
0	167,588	0.0	039	STATE BOATING ACT FUND	174,403	167,588	5.2	167,588
208,977	79,149	161.3	041	GAME & FISH FUND	2,319,747	1,487,853	55.9	1,487,853
20,200,000	5,356,949	277.0	051	UNEMPLOYMENT TRUST FUND	545,260,616	12,357,759	4312.2	12,357,759
7,297,118	4,870,987	49.8	052	TITLE III SOCIAL SECURITY AND EMPLOYMENT SERVICE FUND	73,626,578	61,204,299	20.2	61,204,299
450,105	172,719	160.5	061	CHILD WELFARE SERVICES FUND	2,353,975	2,135,400	10.2	2,135,400
1,265,000	606,975	108.4	062	MATERNAL & CHILD HEALTH SERVICES FUND	11,224,873	9,707,199	15.6	9,707,199
526,486	218,353	141.1	063	PUBLIC HEALTH SERVICES FUND	3,972,223	4,263,789	6.8-	4,263,789
265,718	0	0.0	065	ENVIRONMENTAL PROTECTION FUND	3,112,245	3,570,280	12.8-	3,570,280
0	100,821	0.0	069	U S MENTAL HEALTH FUND	442,919	4,992,085	91.1-	4,992,085
134,606	676,803	80.1-	071	HOSPITAL CONSTRUCTION FUND	3,735,196	6,257,025	40.3-	6,257,025
4,180,143	2,073,000	101.6	081	VOCATIONAL REHABILITATION FUND	34,200,627	30,506,036	12.6	30,506,036
0	660,000	0.0	082	VOCATIONAL EDUCATION FUND	31,692,807	27,121,040	16.8	27,121,040
50,000	0	0.0	084	MEDICARE PROGRAM FUND	559,760	447,515	25.0	447,515
0	0	0.0	086	FOREST RESERVE FUND	24,152	41,087	41.2-	41,087
0	0	0.0	087	FUND UNASSIGNED	0	0	0.0	0
0	0	0.0	088	FUND UNASSIGNED	0	0	0.0	0
420	12,510	96.6-	091	U S VETERANS BUREAU FUND	39,690	64,193	38.1-	64,193
32,322	192,337	83.2-	095	FEDERAL AIRPORT FUND	10,032,067	11,422,335	12.1-	11,422,335
0	0	0.0	306	MANPOWER DEVELOPMENT AND TRAINING REVOLVING FUND	0	0	0.0	0
27	156,159	99.9-	808	URBAN PLANNING ASSISTANCE FUND	1,595,738	1,684,076	5.2-	1,684,076

APPENDIX V-A

NONAPPROPRIATED STATE TRUST FUNDS BY PURPOSE, FY 1976
(in thousands of dollars)

Employee Services (CUSAS number)	Receipts	Expenditures
Garnishment Fund (659)	$ 349	$ 295
General Assembly Retirement (481)	1,784	1,780
Group Insurance Premium (457)	4,458	4,442
Illinois Municipal Retirement (475)	506,069	506,109
Judges Retirement (477)	5,776	5,863
Social Security Contributions (058)	189,750	187,052
State Employees Retirement (479)	107,351	103,729
State Withholding Tax (512)	29,901	28,730
Teachers' Retirement (473)	470,159	470,443
U.S. Savings Bond (458)	6,138	6,058
United Fund Deductions (459)	262	262
Subtotal	$1,321,997	$1,314,763
Financial Adjustment		
Aircraft Financial Responsibility (403)	$ 0	$ 0
County Retailers' Occupation (425)	29,542	28,472
Court of Claims (572)	1,850	2,149
Illinois State Board of Investments (529)	1,197	1,230
Municipal Retailers' Occupation (402)	343,761	331,932
Pollution Control Fines (592)	149	145
Protest Fund (401)	13,305	948
Right of Way Trust (446)	363	1
State Offset Claims (658)	46,739	158,069
Tax Suspense Trust (583)	150	150
Warrants Escheated (485)	7,650	674
Subtotal	$ 444,706	$ 523,770
Capital		
Armory Rental (416)	$ 24	$ 34
Board of Governors Bond Revenue (462)	52,479	50,739
CDB Contributory Trust (617)	72,074	73,417
Housing Development (539)	804	1,669
Illinois State Toll Highway Construction (450)	1,965	8,011
Illinois State Toll Highway Revenue (455)	83,557	86,600
Kaskaskia Commons Permanent School (441)	24	21
Local Airport (472)	1,270	1,654
Public Building (409)	54,124	43,262
The Housing Fund (467)	290	477
Subtotal	$ 266,611	$ 265,884

Appendix V-A (continued)

Special Services or Projects	Receipts	Expenditures
Correctional School District (603)	$ 888	$ 1,239
Correctional Special Purpose (547)	5,089	5,670
Flood Control Land Lease (443)	116	116
Illinois Tourism Promotion (452)	1,523	1,391
Medical Payment (026)[a]	15,116	1,205
Morrill Trust (411)	275	275
Public Assistance Recoveries (421)	21,443	8,180
Real Estate Recoveries (629)	169	23
Safety Responsibility (436)	109	91
State Projects (448)	215	218
Unclaimed Property Trust (482)	16	108
Workmen's Compensation (431)	317	227
LCHE Ziegler (508)	101	0
Subtotal	$ 45,377	$ 18,743

[a]This fund was dissolved during FY 1976.

APPENDIX V-B

AGENCY LOCALLY HELD FUNDS

Agency & Fund Titles	Receipts	Expenditures	Cash and Investments
Illinois Special Events Commission:			
Checking Account	$ 21	$ 22	$ 281
Illinois Legislative Investigating Committee:			
Purchase Evidence Revolving Account	.....	8	3
Illinois Bicentennial Commission:			
I.B.C. Checking Account	124	134	30
Commission on Children:			
Donation and Grant Account.	1	.....	37
Secretary of State:			
Refund Account	48	48	.....
Agriculture:			
Carcass Evaluation Accounts*	.....	.....	1
Ill. Colt Stakes Funds & Championship Purse Acct.*	47	.....	47
Livestock & Feeder Swine Dealer Account*	1	.....	16
Div. of A.I.R. Escrow Acct.*	11	82	655
Ill. Food Expo Acct.*	7	7	1
Total	66	89	720
Financial Institutions:			
Currency Exchange Liquidation	12	3	73
Law Enforcement:			
Official Advance Fund IBI	441	377	64
Official Advance Fund - Race Track	10	3	9
State Police Investigative Service Fund	.....	8	3
Total	451	388	76
Local Government Affairs:			
Experimental Housing Allowance Account**.....(a)	937	827	.....
Military and Naval:			
Armory Rental Trust Fund..	138	124	14
Capital City Railroad Relocation Authority:			
Agency Fund*	377	334	28
Illinois Health Facilities Authority:			
General Fund*	885	772	60
Illinois Educational Facilities Authority:			
General Fund	38	22	32
Illinois State Board of Investments:			
Trust Fund*	73,895	.....	580,994
Industrial Commission:			
Transcript Deposit Fund*	16	13	6
Metropolitan Fair and Exposition Authority:			
Reconstruction Fund (Bond)*	506	505	257
State Universities Retirement System:			
Retirement Systems Fund	110,412	40,759	564,619
Board of Regents:			
Board of Regents Fund	.....	.....	3
Attorney General:			
Purchase Evidence Account.	2	1	1
Mental Health and Developmental Disabilities:			
Federal Grant Account	38	39	3
Amusement Fund	269	271	206
Commissary Fund	1,097	1,107	137
Special Fund Depositories	113	101	40
Rehabilitation Funds	445	424	33
Other Funds	819	848	99
Total	2,781	2,790	516
Corrections:			
Amusement Fund	52	54	16
Commissary Fund	2,260	2,255	146
Officers Fund	555	546	95
Incidental Expense Funds	285	276	102
Other Funds	6	16	2
Total	3,158	3,147	361
Children and Family Services:			
Amusement Fund	$ 104	$ 94	$ 102
Work-Study Fund	50	42	16
General Purpose Fund	5	16	19
Benefit Funds	43	27	38
Contributions & Bequest Funds	15	43	115
Commissary Funds	191	186	22
Other Funds	10	5	10
Total	418	413	322
Eastern Illinois University:			
Revenue Bond Fund*	7,245	6,691	7,231
Current Funds	3,428	3,343	862
Agency Funds	28	26	9
Loan Funds	176	165	59
Student Activity Fund	551	884	422
Total	11,428	11,109	8,583
Governor's State University:			
Locally Held Funds**	3,068	2,876	308
NDSL - Loan Fund**	453	453	4
Total	3,521	3,329	312
Northeastern Illinois University:			
Computer Center - Revenue Bond Fund*	6,400	6,432	739
Student Activity Fund	1,134	1,111	107
Current Fund	889	810	-82
Agency Fund	35	22	20
NDSL - Loan Fund	7	380	9
Current Grant Fund*	2,458	2,478	217
Total	10,923	11,233	1,010
Western Illinois University:			
Student Activity Fund**	1,184	1,175	27
Current Funds**	1,586	1,574	614
Restricted Funds**	2,130	2,276	-132
Student Loan Fund	.....	2	28
NDSL Fund	86	13	81
Auxiliary Enterprises	27	28	.....
Revenue Bond Funds	13,640	10,745	7,756
University Revenue Bonds (1968, 1969, 1969-A)	4,416	4,150	4,177
Total	23,069	19,963	12,551
Sangamon State University:			
Current Funds	1,659	1,601	461
Loan Funds	103	102	9
Plant Funds	89	23	173
Agency Funds	142	138	14
Total	1,993	1,864	657
Southern Illinois University - Carbondale:			
General Operating Funds	40,548	39,203	6,961
Restricted Funds	14,273	14,885	764
Loan Funds	968	948	362
Agency Funds	1,760	1,830	405
Service Department Fund	33,263	33,104	279
Plant Funds-University Treas.	894	5,904	6,105
Auxiliary Enterprises	2,202	2,165	215
Funded Debt	13,994	13,914	6,776
Total	107,902	111,953	21,867
Southern Illinois University - Edwardsville:			
Current Funds	23,622	23,403	4,650
Loan Funds	469	458	170
Plant Funds	7,176	7,020	2,635
Agency Funds	1,460	1,417	80
Total	32,727	32,298	7,535
Northern Illinois University:			
Bond Revenue Operation*	17,901	16,960	302
Current Funds**	8,923	9,016	3,197
Loan Funds**	1,060	194	463
Sales & Service Activities Fund	2,412	2,292	70
Total	30,296	28,462	4,032
Illinois State University:			
Bond Operation Funds*	18,127	16,435	9,055
Current Local Funds**	8,249	8,222	3,463
Loan Funds**	775	164	892
Self-Supporting Service Department Fund	2,683	2,749	448
Total	29,834	27,570	13,858
University of Illinois:			
Locally Held Funds**	373,711	370,703	54,008
TOTAL	$819,690	$668,883	$1,272,848

(a) Closed Out and balance transferred to Peoria Housing Authority.

Note:
All amounts were reported on the cash basis of accounting unless otherwise indicated, i.e. * full accrual or ** modified accrual.

APPENDIX IX-A

ILLINOIS CODE AGENCIES

The departments of State government are the following:[1]

Department on Aging

Department of Agriculture

Department of Business and Economic Development

Department of Children and Family Services

Department of Corrections

Department of Conservation

Department of Finance

Department of Financial Institutions

Department of General Services

Department of Insurance

Department of Labor

Department of Law Enforcement

Department of Local Government Affairs

Department of Mental Health and Developmental Disabilities

Department of Mines and Minerals

Department of Personnel

Department of Public Aid

Department of Public Health

Department of Registration and Education

Department of Revenue

Department of Transportation

[1]This list includes only the code departments of State government and not any boards, commissions or authorities.

APPENDIX IX-B

EXCERPT FROM BUDGET APPENDIX WITH LINE ITEM FORMAT

AGING

BR-1 BUDGETARY PROGRAMS	Obligational Authority		
	Fiscal Year 1977 Actual	Fiscal Year 1978 Recommended	Change From Fiscal Year 1977
Total Resources Available	$ 20,940.6	$ 21,054.1	$+ 73.5
State Administration	1,500.5	1,475.3	- 25.2
Social Services	7,608.1	8,310.1	+ 702.0
Nutrition	11,129.3	11,129.3	.. ..
Manpower Program	139.4	139.4	.....
Model Projects	603.3	.....	- 603.3

BR-2 RESOURCES, BY FUNDS	Fiscal Year 1976	Fiscal Year 1977		Fiscal Year 1978	
	Obligational Authority Actual	Obligational Authority Actual	Expenditures Estimated	Obligational Authority Recommended	Change From Fiscal Year 1977
GRAND TOTAL	$ 19,047.5	$ 20,980.6	$ 20,940.2	$ 21,054.1	$+ 73.5
Appropriations Requiring General Assembly Action	19,047.5	20,792.5	20,752.1	20,866.0	+ 73.5
General Revenue Fund	953.0	2,017.0	1,976.7	2,835.5	+ 818.5
Services for Older Americans Fund	12,724.5	18,030.5	18,030.5	18,030.5	.....
D O A Statewide Model Projects Fund	.....	744.9	744.9	.....	- 744.9
D O A Comprehensive Training Fund	370.0	.....	.....	.....	.....
Other Financial Resources Not Requiring General Assembly Action					
D O A Comprehensive Training Fund	.....	188.1	188.1	188.1	.....

BR-3 Appropriations Requiring General Assembly Action by CATEGORY	Fiscal Year 1976		Fiscal Year 1977		Fiscal Year 1978
	Obligational Authority Actual	Expenditures Actual	Obligational Authority Actual	Expenditures Estimated	Obligational Authority Recommended
GRAND TOTAL	$ 19,047.5	$ 13,695.9	$ 20,792.5	$ 20,752.1	$ 20,866.0
Operations	1,210.5	1,084.0	1,451.8	1,451.8	1,426.6
General Revenue Fund	353.0	322.1	341.6	341.6	458.1
Services for Older Americans Fund	817.5	726.0	968.5	968.5	968.5
D O A Statewide Model Projects Fund	.....	.....	141.7	141.7	.....
D O A Comprehensive Training Fund	40.0	35.9	.....	.....	.....
Grants-In-Aid	12,837.0	12,612.0	19,340.7	19,300.3	19,439.4
General Revenue Fund	600.0	585.8	1,675.4	1,635.1	2,377.4
Services for Older Americans Fund	11,907.0	11,901.8	17,062.0	17,062.0	17,062.0
D O A Statewide Model Projects Fund	.....	.....	603.3	603.2	.....
D O A Comprehensive Training Fund	330.0	124.4	.....	.....	.....

Appendix IX-B (continued)

AGING

BR-5 Appropriations Requiring General Assembly Action for OPERATIONS	Fiscal Year 1976 Obligational Authority Actual	Fiscal Year 1976 Expenditures Actual	Fiscal Year 1977 Obligational Authority Actual	Fiscal Year 1977 Expenditures Estimated	Fiscal Year 1978 Obligational Authority Recommended
TOTAL	$ 1,210.5	$ 1,085.0	$ 1,451.8	$ 1,451.8	$ 1,426.6
General Revenue Fund	353.0	322.1	341.6	341.6	458.1
Services for Older Americans Fund	817.5	726.0	968.5	968.5	968.5
D O A Statewide Model Projects Fund	.....	.....	141.7	141.7	.....
D O A Comprehensive Training Fund	40.0	35.9	.....	.....	.....
Personal Services	173.4	171.6	777.0	777.0	851.7
General Revenue Fund	173.4	171.6	177.4	177.4	236.0
Services for Older Americans Fund	.....	.....	599.6	599.6	615.7
Retirement Contributions	11.5	11.5	52.0	52.0	62.2
General Revenue Fund	11.5	11.5	11.8	11.8	17.2
Services for Older Americans Fund	.....	.....	40.2	40.2	45.0
Social Security	8.4	4.5	34.3	34.3	43.2
General Revenue Fund	8.4	4.5	9.5	9.5	12.7
Services for Older Americans Fund	.....	.....	24.8	24.8	30.5
Group Insurance					
Services for Older Americans Fund	.....	.....	.....	.....	21.1
Contractual Services	70.7	68.6	278.7	278.7	244.9
General Revenue Fund	70.7	68.6	72.8	72.8	72.8
Services for Older Americans Fund	.....	.....	205.9	205.9	172.1
Travel	47.0	38.2	86.2	86.2	85.0
General Revenue Fund	47.0	38.2	35.2	35.2	39.9
Services for Older Americans Fund	.....	.....	51.0	51.0	45.1
Commodities	11.9	9.7	23.9	23.9	17.9
General Revenue Fund	11.9	9.7	7.9	7.9	7.9
Services for Older Americans Fund	.....	.....	16.0	16.0	10.0
Printing	6.0	1.2	14.5	14.5	11.5
General Revenue Fund	6.0	1.2	2.5	2.5	2.5
Services for Older Americans Fund	.....	.....	12.0	12.0	9.0
Equipment	7.0	0.7	18.0	18.0	9.6
General Revenue Fund	7.0	0.7	8.0	8.0	1.6
Services for Older Americans Fund	.....	.....	10.0	10.0	8.0
Electronic Data Processing					
General Revenue Fund	.....	.....	.....	.....	50.0
Telecommunications Services	14.5	13.6	22.5	22.5	26.5
General Revenue Fund	14.5	13.6	14.5	14.5	15.5
Services for Older Americans Fund	.....	.....	8.0	8.0	11.0
Operation Auto Equipment	2.6	2.4	3.0	3.0	3.0
General Revenue Fund	2.6	2.4	2.0	2.0	2.0
Services for Older Americans Fund	.....	.....	1.0	1.0	1.0
Operating Expenses	857.5	761.9	.....	.....	.....
Services for Older Americans Fund	817.5	726.0	.....	.....	.....
D O A Comprehensive Training Fund	40.0	35.9	.....	.....	.....
Nursing Home Ombudsman Program					
D O A Statewide Model Projects Fund	.....	.....	88.3	88.3	.....
Information and Referral Program					
D O A Statewide Model Projects Fund	.....	.....	53.4	53.4	.....

Appendix IX-B (continued)

AGING

BR-6 Appropriations Requiring General Assembly Action for GRANTS-IN-AID	Fiscal Year 1976 Obligational Authority Actual	Fiscal Year 1976 Expenditures Actual	Fiscal Year 1977 Obligational Authority Actual	Fiscal Year 1977 Expenditures Estimated	Fiscal Year 1978 Obligational Authority Recommended
TOTAL	$ 12,837.9	$ 12,612.0	$ 19,340.7	$ 19,300.7	$ 19,439.4
General Revenue Fund	600.0	585.8	1,675.4	1,635.1	2,377.4
Services for Older Americans Fund	11,907.0	11,901.8	17,062.0	17,062.0	17,062.0
D O A Statewide Model Projects Fund	.....	.....	603.3	603.2	.....
D O A Comprehensive Training Fund	330.0	124.4	.....	.....	.....
Distributive Expenses Pursuant to Older Americans Act and Social Security Act	12,507.0	12,487.6	17,647.8	17,629.3	17,629.3
General Revenue Fund	600.0	585.8	585.8	567.3	567.3
Services for Older Americans Fund	11,907.0	11,901.8	17,062.0	17,062.0	17,062.0
Distributive Expenses for Manpower Training					
D O A Comprehensive Training Fund	330.0	124.4	.....	.....	.....
Title X X Social Security Act					
General Revenue Fund	.....	.....	1,089.6	1,067.8	1,810.1
Nursing Home Ombudsman Program					
D O A Statewide Model Projects Fund	.....	.....	274.8	274.8	.....
Information and Referral Program					
D O A Statewide Model Projects Fund	.....	.....	328.4	328.4	.....

Source: Illinois State Budget Appendix, FY 1978, pp. 47-49.

APPENDIX X-A

ILLINOIS WELFARE AND REHABILITATION SERVICES PLANNING ACT

AN ACT creating the Illinois Welfare and Rehabilitation Services Planning Act. Approved and effective Sept. 18, 1975 by P.A. 79-1035.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

951. Short title.] § 1. This Act shall be known and may be cited as the Illinois Welfare and Rehabilitation Services Planning Act.

952. § 2. **Purpose.)** The Purpose of this Act is to establish a procedure which will result in comprehensive, long-term planning by several departments responsible for administering and providing public welfare and rehabilitation services in Illinois.

953. Plans for use of human resources and provision of social services.] § 3. On or before the first Friday in April of each year, each agency listed in Section 4(a) [1] shall prepare and cause to be submitted to the General Assembly a comprehensive plan providing for the best possible use of available resources for the development of the State's human resources and the provision of social services by such agency. Each such plan shall contain the information required by Section 6 [2] and shall be prepared and submitted in conformity with Section 7 through 9 of this Act.[3] The Bureau of the Budget, or any other agency designated by that Bureau, may require that the agency plans required by this Act shall, prior to submission to the General Assembly, be submitted to it, or such other agency designated by it. The Bureau or the designated agency may review and co-ordinate such plans and submit them on behalf of the agencies concerned to the General Assembly.

[1] Chapter 127, § 954.
[2] Chapter 127, § 956.
[3] Chapter 127, §§ 957 to 959.

954. Agencies required to submit plans—Coordination of plans.] § 4. (a) Plans required by Section 3 [1] shall be prepared by and submitted on behalf of the following State agencies, and may be prepared and submitted by another State Agency designated by the Governor:

(1) the Department of Children and Family Services;
(2) the Department of Public Aid;
(3) the Department of Corrections;
(4) the Department of Vocational Rehabilitation;
(5) the Dangerous Drugs Commission;
(6) the Department of Aging;
(7) the Department of Public Health;
(8) the Bureau of Employment Security.

(b) The plans required by Section 3 of this Act shall be co-ordinated with the plan adopted by the Department of Mental Health and Developmental Disabilities under Sections 48 through 52 of "An Act codifying the powers and duties of the Department of Mental Health and Developmental Disabilities", approved August 2, 1961, as amended,[2] and any plan adopted, re-adopted or amended by the Department of Mental Health and Developmental Disabilities under those sections shall be co-ordinated with plans required under Section 3 of this Act.

[1] Chapter 127, § 953.
[2] Chapter 91½, §§ 100—48 to 100—52.

955. § 5. **Federal Planning Requirements.** The plans required by Section 3 [1] shall take account of federal planning requirements and provide for recommendations for alteration or development of those requirements.

[1] Chapter 127, § 953.

956. Contents of plans.] § 6. Plans required by Section 3 [1] shall include the following:

(a) the services provided by the agency in the past year, being provided in the current year, and to be provided during the next fiscal year based on the budget proposed by the Governor, including the following information with respect to such services when it is applicable and obtainable:

(1) identification of any substate service areas established by the agency, and the nature and amount of services to be provided in each area;

(2) identification of the need for each service, including target populations or categories of individuals to be served, subdivided among service areas within the State if substate service areas have been established;

(3) objectives for program accomplishment during the current and next fiscal year;

(4) estimated expenditures based on the budget proposed by the Governor for the next fiscal year with respect to each of the services to be provided, each of the categories of individuals to whom those services are to be provided, and a comparison of estimated expenditures for the current fiscal year and proposed expenditures for the next fiscal year;

(5) review and evaluation of program accomplishments, to determine the relative effectiveness of various programs on such conditions as crime, dependency and poverty;

(6) identification of the means by which services will be or have been provided in the past, current and next fiscal year, including a description of the organizational structure under which such services will be provided, and a breakdown of costs of direct operations and grants by services within the amount available for grants;

(7) a description of the capital development plans for the agencies identified in Section 4(a) of this Act,[2] including the rehabilitation or phase-out of any existing State-owned facility and specific projects proposed for the next fiscal year.

(b) information setting a prospective for the current year action, setting forth goals and intentions, and issues and recommendations for future action, within the two years following the next fiscal year, in the following areas and in others deemed appropriate:

(1) projections of needs, target populations, and clientele to be served under continuation of present programs and proposed new programs;

(2) for each service, an estimate of the percentage share of total revenue needs to be provided by each available revenue source;

(3) realistic long-term goals and measures of progress by which program and service direction and effectiveness may be judged;

(4) analyses of Federal programs and legislation for their impact on State human resources and social service delivery, including possible changes in current programs, new programs, and other legislation;

(5) a description of the most productive budgeting of State funds to gain maximum participation by Federal and other available sources of funds;

(6) development of new mechanisms to improve the coordination and delivery of social services by the agency and related agencies;

(7) identification of, and development of services to meet, the unmet needs of individuals;

(8) other management improvements, including changes in organizational structure of the agency, to improve human resources development and social service delivery;

(9) capital development plans of the agency, including the rehabilitation or phase-out of any existing State-owned facility and a description of the purposes for which each new State-owned or State-financed facility will be used.

[1] Chapter 127, § 953.
[2] Chapter 127, § 954.

957. Notice of and changes in plans.] § 7. (a) With respect to each annual plan required by Section 3 of this Act,[1] each agency described in Section 4(a) [2] shall, after submission of the plan to the General Assembly give notice of availability of the plan, make copies of the plan publicly available, for reasonable inspection and copying, and provide at least 30 days for submission of public comments.

(b) With respect to any change in the plan which is of a substantial or statewide nature and which will become effective before submission of the next annual plan to the General Assembly, each agency shall file the change with the General Assembly and thereafter follow the procedures set forth in Section 7(a) with respect to notice, availability and public comment.

(c) Each agency shall give consideration to any comments, recommendations or testimony received and may modify any proposed plan or proposed change to incorporate such comments, recommendation or testimony.

[1] Chapter 127, § 953.
[2] Chapter 127, § 954.

958. Notice defined.] § 8. For the purposes of Section 7 of this Act [1] "notice" shall mean to notify the President of the Senate, the Minority Leader in the Senate, the Speaker of the House, the Minority Leader in the House, and the Chairmen and Minority Spokesmen of the standing committees in the Senate and the House which have primary concern for welfare and rehabilitation that the plan has been submitted to the General Assembly and is available.

[1] Chapter 127, § 957.

959. Plan changes required by law or regulation.] § 9. Section 7 of this Act [1] shall not apply to plan changes which are required by Federal law or regulation or by State law, but such changes shall be incorporated in the next annual plan with specific reference to the Federal law or regulation or to the State law requiring the change.

[1] Chapter 127, § 957.

960. Distribution of copies of plans.] § 10. Each agency shall distribute copies of the plan to members of the public upon written request and payment of reasonable costs.

961. Appendices to plans.] § 11. There shall be attached to the first annual plan, but not included as a part of the plan, an appendix which shall contain the following:

(a) a list of the facilities owned and operated or constructed by the State which are used or operated, or to be used or operated, by the agency concerned;

(b) an organizational chart or charts depicting the current and future administrative and functional structure of the agency concerned; and

(c) a list or index of the State statutory provisions which delineate the powers and duties of the agency concerned.

962. Repealer.] § 12. Section 11 of this Act [1] shall be automatically repealed on the day following the initial submission of agency plans required under this Act.

[1] Chapter 127, § 961.

APPENDIX XIII-A

EXAMPLES OF STUDIES UNDERTAKEN BY OHIO LEGISLATIVE BUDGET OFFICE

"The Background and Fiscal Implications of Paying Wages to State Institutional Patients"

"Annual or Biennial Budgets?"

"Probable Fiscal Issues of the 1975 Legislative Session: Employee Benefits and Salary Increases"

"Memorandum on Rotary (Revolving) Funds. . . ."

"The Legislative Appropriations Process"

"Social Services Provision through the Ohio Department of Public Welfare"

"Comparison of Ohio Expenditures for Higher Education with All Other States"

"Departmental Budget Inflation Factors"

"Charges for Central Personnel Administration Services"

"Establishing Rental Charges for Agencies Occupying State-Owned Buildings"

"Central Fiscal Controls Over Agency Spending"

Source: Legislative Service Commission, "Second Annual Report of the Ohio Legislative Budget Office," 1976.